FINANCIAL TIMES

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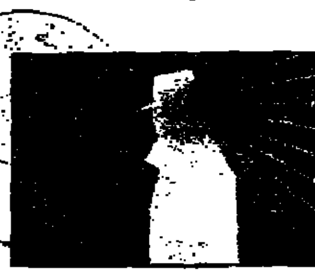

FT WEEKEND
The enemy within
TOMORROW

World Business Newspaper http://www.FT.com FRIDAY APRIL 11 1997

Dutch to meet Arafat in Mideast peace mission

Dutch foreign minister Hans van Mierlo will today meet Palestinian leader Yassir Arafat as part of a European Union effort to help put the Middle East peace process back on course. The mission was announced by Dutch prime minister Wim Kok after a meeting in The Hague with his Israeli counterpart, Benjamin Netanyahu. Page 16

Brussels set to back BT-MCI link: The European Commission is demanding only two substantial concessions from British Telecommunications and MCI, the US long distance carrier, in return for approval of a $20bn merger that would create the world's second largest telecoms group. The deal also must be cleared by US competition authorities. Page 21

Moscow moves towards using tenders

Russia's first deputy prime minister Boris Nemtsov, left, is expected to begin meetings with government departments on the new policy that all procurement will be conducted through an open tender process. President Boris Yeltsin announced the policy, to start May 1, as part of his war on government corruption. Nemtsov, his first lieutenant in the campaign, is former governor of Nizhny Novgorod. Page 16

Indian government dares rival: India's United Front government threatened fresh elections by daring the Congress party to side with its political enemy, the Hindu revivalist Bharatiya Janata party, in a confidence vote today. Recent by-elections and opinion polls suggest elections would inflict further losses on Congress and could deliver victory to the BJP. Page 16

Sheikh sets up Gaza food aid: The sheikh of the United Arab Emirates, Zayid ibn Sultan, has set up a $3m fund to provide food to needy Palestinians in the Gaza Strip.

Sears Roebuck, the second biggest US retailer, will repay an estimated $125m to bankrupt customers after admitting it had failed to follow proper legal procedures when pursuing them for their debts. Page 17

Chrysler reaffirmed its position as the smallest but most profitable of the "Big Three" US carmakers by announcing record profits for the first quarter. Pre-tax profits rose 2 per cent to $1.7bn as sales climbed 8 per cent to $16.1bn. Page 19

Adidas, the German sportswear group, reported a steeper than expected rise in first-quarter sales and disclosed that the Belgian-based investment company Sogedim will sell its 26 per cent minority shareholding – worth about DM2bn – to Adidas directors and outside investors. Page 17

Albanian 'king' going home: In the midst of violence and political strife, the heir to Albania's monarchy, the self-proclaimed King Leka, is expected to visit his homeland this weekend. Leka left Albania with his father, King Zog I, in 1939 when only three days old. He was never officially crowned.

'Charing Cross' author dies: Helene Hanff, whose book *84 Charing Cross Road* captured the hearts of thousands, died in New York. She was 80. The book was based on her transatlantic correspondence with an antiquarian bookseller in London from 1949 until 1969, when the bookseller, Frank Doel, died. It was made into a play and then a film with Anne Bancroft and Anthony Hopkins.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6557.04	(-6.80)
NASDAQ Composite	1238.10	(-11.33)
Europe and Far East		
CAC40	2667.97	(-9.58)
DAX	3351.49	(-7.97)
FTSE 100	4313.2	(+20.9)
Nikkei	17485.75	(-217.62)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.259%
Long Bond	93⅞
Yield	7.119%

OTHER RATES

UK: 3-mo interbank	6⅝%	(same)
UK: 10 yr Gilt	97½	(97½)
France: 10 yr OAT	97.82	(97.93)
Germany: 10 yr Bund	100.55	(100.73)
Japan: 10 yr JGB	106.189	(106.3387)

NORTH SEA OIL (Argus)

Brent Dated	$17.22	(17.33)

GOLD

New York: Comex		
	$348.5	(348)
London:		
close	$348.15	(348.3)

DOLLAR

New York: lunchtime		
£	1.6231	
DM	1.7195	
FFr	5.7865	
SFr	1.4715	
Y	125.98	
London:		
£	1.6241	(1.6233)
DM	1.7169	(1.7197)
FFr	5.7789	(5.7865)
SFr	1.4688	(1.4738)
Y	126.115	(126.52)
Tokyo close:	Y 126.9	

STERLING

DM	2.7884	(2.7915)

EU adopts tougher attitude over Iran

German court verdict links Tehran to Berlin murders

By Frederick Stüdemann in Berlin and Lionel Barber in Brussels

The European Union last night suspended its policy of "critical dialogue" with Iran and urged member states to recall their Tehran ambassadors for consultation following a German court verdict linking high-ranking Iranian officials to the murder of four Kurdish opposition figures in Berlin five years ago.

The decision, made at a meeting of senior diplomats from the 15 EU member states, brings Europe into closer line with the US, which has lobbied the EU to take a harder line toward Iran, and raises the possibility that EU members may have to take tougher measures, even at the expense of commercial interests.

Officials in Brussels conceded yesterday that the Berlin court verdict meant the EU would have to live up to earlier promises to combat terrorist activity "in all its forms and whatever its source".

The European Commission fears that a weak reaction could complicate efforts to defuse tensions with Washington over the D'Amato Act, which threatens sanctions against European oil companies making new investments in Iran and Libya.

The verdict of the Berlin court, which convicted four men of killing the opposition figures on the orders of Tehran, was welcomed by the US State Department as a vindication of its long-standing suspicions that the Iranian government has been involved in sponsoring terrorism.

Mr Nicholas Burns, US state department spokesman, said: "The United States commends the courage of the German prosecutor, the German judges and the witnesses... We are confident that the verdict was based on the objective evaluation of the evidence."

Germany expelled four Iranian diplomats and said it would recall its ambassador from Tehran. Iran matched that move by expelling four German diplomats and recalling its ambassador to Bonn.

The court sentenced two men, an Iranian and a Lebanese, to life imprisonment for their involvement in the killings. Two other Lebanese men were sentenced to 11 years and five years and three months imprisonment while a fifth man was found not guilty.

The court shied away from explicitly naming Iran's leaders. But in a clear indication of whom it believed to be responsible it said that the order to assassinate the four men – members of the opposition Democratic party of Kurdistan – at a Berlin restaurant in 1992 came from the "Committee for Special Operations".

The court noted that the committee's members included the Iranian president Akbar Hashemi Rafsanjani, Mr Ali Fallahian, the secret service minister, Mr Ali Akbar Velayati, the foreign minister and the country's spiritual leader Ayatollah Khamenei.

The German foreign ministry registered its "great consternation" at the court's verdict, adding that the involvement of Iranian officials constituted a "flagrant breach of international law".

Iran's ambassador to Germany was yesterday summoned to the foreign ministry where he was reminded by Mr Klaus Kinkel, foreign minister, of guarantees given earlier this week by Iran that German citizens living there would not be put in jeopardy by the verdict.

Dialogue on hold, Page 5

Britain's Labour party leader Tony Blair is mobbed by children while on the campaign trail for the May 1 general elections yesterday. Election reports, Page 10; Philip Stephens, Page 14 Reuter

Glaxo optimistic on hepatitis drug trials

By Daniel Green

More than 300m carriers of hepatitis B, one of the world's most widespread diseases, could enjoy a new treatment from 1999 following "extremely encouraging" trial results announced yesterday.

The drug, lamivudine, is being developed by the UK's largest drugs company Glaxo Wellcome and is in its final large-scale trials before submission to medical regulators later this year.

If it is approved sales could reach $1bn a year by 2005, according to forecasts by stockbroker Lehman Brothers.

Hepatitis B is a virus infection that progressively damages the liver and can remain active in the body for many years.

About 95 per cent of carriers are in the developing world – especially Asia.

Glaxo said a one-year trial of 358 Asian patients with chronic hepatitis B in Hong Kong, Singapore and Taiwan found that 67 per cent on long-term high doses showed improved liver health, and in 16 per cent the virus could not to be detected.

Glaxo plans to submit the drug to medical regulators in Asia first because it is the area worst affected. Normally submissions are made the other way around because of the relatively low health budgets in developing countries. This leaves their regulators to follow the decisions of their western counterparts.

Glaxo is also in talks with Asian governments about how the drug will be sold.

"This drug will not be sold in the way drugs are in the west," said the company. "We are working with the Chinese government, for example, on the distribution of lamivudine." Glaxo warned that the latest results did not offer "definitive conclusions" about the drug. Trials are still underway and the drug will not be submitted to regulators until they are completed.

This did not deter fans of the drug's commercial prospects. "Glaxo wouldn't be investing all that effort into this drug if they did not believe it was worth at least $500m a year," said one analyst.

Lamivudine was invented by Biochem Pharma, the Canadian biotechnology company and is already used against Aids under the name Epivir.

Glaxo is likely to face competition over the next few years. Rivals working on their own hepatitis B drugs include SmithKline Beecham of the US and Gilead, a Californian biotechnology company.

Rubin expresses worry over dollar's rise against yen

By Gerard Baker in Washington and Simon Kuper in London

Mr Robert Rubin, the US treasury secretary, yesterday expressed concern for the first time over the sharp rise in the value of the dollar against the yen in recent months.

Mr Rubin was responding to remarks by Japanese officials that the yen had fallen too far and too fast, and that the authorities in both countries might act to stop it.

Mr Rubin did not comment on the possibility of formal intervention and repeated his familiar formula that the US continued to favour a strong dollar.

"Over time, exchange rates generally reflect fundamentals and the fundamentals of the US economy have been relatively strong for the past four years," he said in a statement. But he added: "We share the concern expressed by the Japanese authorities last night about recent movements in the yen, because of the impact on Japan's external surplus."

The dollar, which had risen 4 per cent in the past week, fell in expectation of Mr Rubin's statement. But after he spoke, the US currency rallied on market relief that he had failed to endorse Japan's intervention plans. The dollar closed Y0.5 down in London at Y126.1.

Mr Peter von Maydell,

Continued on Page 16
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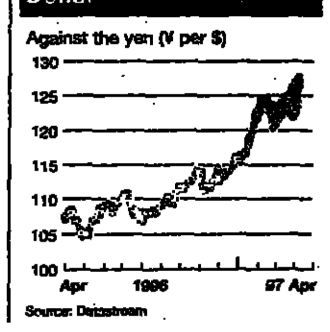
Dollar



Source: Datastream

Beijing moves to drive ahead with state sell-offs

By James Harding in Shanghai

China is to allow state-owned enterprises to issue Yn4bn ($482m) in convertible bonds as part of the drive to reform loss-making state industries and transfer flagship companies into private ownership.

Leading state enterprises not yet listed on the markets will be invited to issue convertible bonds "in order to help the development and reform of state-owned companies and solve the problem of lack of capital", the government said yesterday.

Shanghai analysts were encouraged by the announcement, with one foreign investor describing it as "a sideways move towards privatisation".

The authorities are to select some of "China's 500 key companies", the largest state-owned enterprises, to issue convertible bonds. Most of China's 500 largest enterprises have not listed on the stock markets but Beijing has been edging towards passing partial ownership to Chinese shareholders.

The companies account for about two-thirds of China's urban employment and about one third of industrial production.

However, a large proportion lose money and China's capital markets provide an avenue for the government to raise funds to pay off debts. Until now only a handful of small state-owned enterprises have been allowed to issue convertible bonds.

The brief statement in the Shanghai Securities News, the official financial daily, did not clarify at what price the bonds would be converted, given that the companies allowed to participate are all unlisted and hold no traded shares.

Mr Richard Graham, head of ING Barings in Shanghai, said the convertible bonds offered the government a way of "keeping majority control, but with a more commercial approach to life, and debts financed by someone other than the state".

Mr Bruce Richardson, head of stockbrokers HG Asia in Shanghai, said the issue would not interest foreign institutional buyers directly, as they are excluded from buying traded bonds and would be sceptical about buying a convertible bond without a clear idea of the likely conversion price.

However, he said the Chinese were "definitely on the way towards privatising these companies. Local investors may well be interested in buying these convertible bonds even if they are converted into non-traded shares, like staff shares."

Many unlisted Chinese state-owned enterprises have offered their employees staff shares, which can pay dividends and hold the promise of a capital payout if the company floats on the stock exchange.

The announcement coincided with a commitment from Mr Li Langqing, China's vice-premier, to "intensify the reform of state-owned enterprises".

Speaking to the International Chamber of Commerce meeting in Shanghai, Mr Li promised the government would "spare no efforts to promote the experimentation on modern enterprise systems so as to achieve tangible results".

CONTENTS

LONDON • LEEDS • PARIS • FRANKFURT • STOCKHOLM • MADRID • NEW YORK • LOS ANGELES • TOKYO • HONG KONG

Industry leaders close ranks over Fiat ruling

Italian businesses 'confident' Romiti and Mattioli will prove to be innocent of falsifying accounts

By Paul Betts in Milan

Italy's industrial establishment yesterday closed ranks around Mr Cesare Romiti, chairman of Fiat, as part of a growing lobby to resolve the judicial headaches facing Italian businesses over the illicit funding of political parties in the last decade.

Mr Romiti and Mr Francesco Paolo Mattioli, Fiat's chief financial officer, were found guilty on Wednesday by a Turin judge of falsifying accounts for alleged political payments and given suspended prison sentences. Both are appealing. Confindustria, the Italian employers' confederation, issued a statement saying it was confident that Mr Romiti and Mr Mattioli would prove their innocence and emphasising "the central role Fiat and its top managers play in the country's productive system".

Mr Giovanni Agnelli, Fiat's honorary chairman and patriarch of the car group's controlling family, also backed the two top executives saying he was confident the appeals court would confirm their innocence. His statement suggests that Mr Romiti will remain chairman until his retirement next year.

Mr Sergio Pininfarina, a former head of Confindustria, said the sentences did not take into account the political environment Italian businessmen have had to work in, or the "huge merits" of Mr Romiti.

Mr Silvio Berlusconi, the former prime minister and media tycoon under investigation himself, said: "I am sorry because I know full well that for many enterprises it was necessary to make these payments to be able to go on working." Mr Romiti's and Mr Mattioli's defence is that they were not aware of the alleged accounting irregularities committed by some of the group's more than 1000 subsidiaries. Mr Vittorio Chiusano, Fiat's lawyer, has also insisted on the discrepancy between the severity of the convictions and the relatively small amount of alleged political payments made by Fiat. The alleged *sum of* around L20bn to L30bn ($12m-$18m) appeared irrelevant compared with the group's annual turnover of L78,000bn ($46.49bn), Mr Chiusano argued.

A member of Mr Berlusconi's Forza Italia rightwing opposition party yesterday revived a proposal to change the law to make falsification of balance sheets an administrative rather than criminal offence. Moves to amend the law have so far been blocked.

The magistrates, who launched in 1992 the *mani pulite* – "clean hands" – campaign that uncovered widespread corruption and shook the political system, have vigorously defended their actions *against repeated accusations* of overstepping their mark.

A leftwing union leader yesterday noted that many of the problems facing Italy today resulted from the "perverse relationship" between politics and industry. "There has been much discussion about the blame of our politicians but little over the faults of our industrial system," he added.

Mr Romiti yesterday faced fresh problems. A Rome public prosecutor called for the Fiat chairman together with Mr Mattioli and Mr Umberto Beliazzi, the former head of Fiat's Rome office, to stand trial over political bribery allegations connected with contracts for the Rome metro between 1988 and 1992.

Lex, Page 16

Prodi seeks unity with confidence vote

By Robert Graham

Mr Romano Prodi, the Italian prime minister, yesterday began the uphill task of repairing damage caused by the split among the par*ties backing the centre-left* government over sending troops to Albania.

To re-establish a sense of unity, he initiated a confidence debate on his government's programme.

Mr Prodi was instructed to do so on Wednesday night by President Oscar Luigi Scalfaro after the president rejected the idea of Mr Prodi offering his resignation after the government lost its majority on the Albanian issue.

A confidence motion, proposed by the government, is a traditional means whereby weak governments seek to re-establish their majority. The debate in both houses of parliament will wind up in the chamber of deputies on Saturday.

Commentators expect the government will survive the vote. This is because the rebellious members of Reconstructed Communism (RC), who broke ranks and opposed the despatch of troops to lead a multinational mission to Albania, say they have no wish to bring down the government.

The somersault by the hard-line communists underlines their reluctance to bring about an early election.

But it also emphasises the *precarious nature of Mr Pro*di's government's parliamentary majority.

Mr Fausto Bertinotti, the RC leader, while announcing his support for the confidence motion, repeated his objections to cuts in welfare spending and a reform of pensions.

A shake-up of the welfare system and removing the costly anomalies in the state pensions system are centrepieces of the government's budget strategy. Mr Prodi yesterday emphasised this point in seeking a vote of confidence. The essential weakness of the government's position is the lack of any credible commitment by RC to compromise over pensions and welfare.

Yesterday deputies in the Party of the Democratic Left (PDS), the dominant partner in the government, voiced concern that the confidence debate was taking place without any prior attempt to force concessions from RC.

Without such commitments the vote of confidence lacked any meaning, they said. This leaves RC to con*tinue its maverick role.*

Since the government was formed last May, Mr Bertinotti has refused to endorse the government's programme, and has successfully used the threat of withdrawing the support of his 35 deputies to extract concessions.

He has stalled privatisation, prevented welfare cuts in the original 1997 budget and obliged Mr Prodi last month to adopt a bland additional financial package.

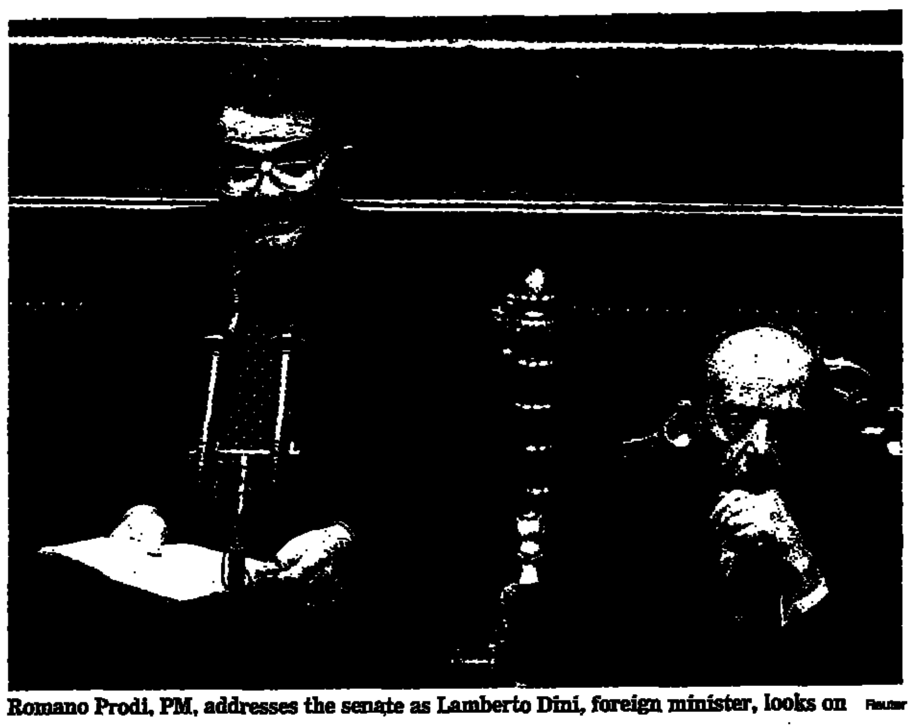
It seems Mr Bertinotti's decision to break ranks with the government over Albania owed much to his fear that the parliamentary commission on constitutional reform was moving towards a deal to eliminate completely proportional representation from the electoral system. This would mean small parties like RC being pushed off the political map.

Equally, the Albanian crisis has owed something to Mr Massimo D'Alema, leader of the PDS, deciding to take a stand against RC on an issue which was not liable to alarm the financial markets too much.

Unfortunately for the government, Mr Bertinotti appears to have won the day, and the showdown is still to come.

● A small advance unit of Italian troops will arrive in the port of Durres today to pave the way for the deployment of the multinational security force in Albania, the Italian news agency ANSA said yesterday. The defence ministry declined to confirm details of the report but said some men were scheduled to leave Italy by sea yesterday.

● The government had one piece of good news yesterday when local transport workers decided to call off a strike following outline agreement on plans to revitalise the sector. Workers threatened the protest to highlight their anger over delayed wage deals and underfunded transport systems.



Romano Prodi, PM, addresses the senate as Lamberto Dini, foreign minister, looks on Reuter

AP reports in Tirana: The heir to Albania's monarchy is expected to visit his homeland this weekend, the government said. Self-proclaimed King Leka, who left Albania in 1939 when he was three days old with his father, King Zog, plans to meet supporters and government officials in Tirana.

Mr Spartak Ngjela, justice minister, said Leka had valid identification papers, unlike in 1993, when police refused to recognise his royal passport and turned him away during his first attempt to visit the country after the communist regime collapsed.

He has lived in several countries, but since 1980 he has made his base in South Africa in a suburb of Johannesburg. He is an exporter of minerals and heavy machinery to the Middle East and Asia.

Industry vents fury at budget

By Robert Graham

The full wrath of Italy's business community was yesterday directed against the government in an unprecedented "sit-in" staged in protest at economic policy, particularly measures in the recent mini-budget.

More than 2,500 members of Confindustria, the industrialists' body, turned up at the organisation's Rome headquarters to listen to a tough critique of government policy from Mr Giorgio Fossa, its president. Another 10,000 were linked into the proceedings via giant screens at 30 of Confindustria's regional centres.

The protest was called in the wake of the mini-budget unveiled two weeks ago to hold Italy's budget deficit down to 3 per cent of gross domestic product this year – one of the conditions for joining the proposed European single currency.

Though different in style it followed a successful tax protest organised by the rightwing opposition in conjunction the national traders' association.

The measure in the mini-budget which has most angered confindustria would compel businesses to pay in advance some of the tax on the so-called tfrs. These are funds, separate from pensions and social security contributions, which companies are obliged to set aside for paying employees on leaving their jobs.

The occasion broadened into a generalised attack on what industrialists said was the government's lack of concern for the needs of business and its failure to introduce structural measures to tackle Italy's public sector deficit.

This reflected concern that two thirds of the spending cuts or fresh revenues in the three financial packages introduced by the government since taking office 11 months ago, are non-struc*tural measures.*

Mr Fossa accused the Mr Romano Prodi's government of "supinely" giving in to blackmail by unions and political parties, undermin*ing Italy's ability to* compete in the global economy, and joining the single currency.

The mood of Confindustria members at the meeting was combative, and Mr Fossa called on the government to rethink the financial package, which has yet to be discussed in parliament. The tough stand yesterday appeared to bear some fruit. The government hinted it would be willing to exempt more companies from the advance TFR payments.

Blockade of trans-Siberian railway lifted

Russia's trans-Siberian railway was back in action yesterday after being blocked for 16 hours by miners protesting about not being paid, AP reports from Moscow.

The miners, who lit a fire on the tracks near the city of Kemerovo, in southern Siberia, agreed to end the blockade shortly after midnight when senior mining officials promised them some of their back wages, according to the Itar-Tass news agency.

The blockade of the famous train service was among the more dramatic of many such protests in recent months. Russians have grown increasingly desper*ate in the face of the con*tinuing inability – or unwillingness – of the state and the private sector to pay their salaries. A teachers' union official said yesterday that more than 20,000 teachers were striking across Russia. More than 30 were on hunger strike.

Mr Vladimir Yakovlev, chairman of the teachers' Central Trade Union Committee, said unpaid teachers' salaries now totalled Rbs9,600bn ($1.7bn) and affected 74 of 89 Russian regions.

Hunger strikes are becoming increasingly common as workers look for dramatic ways to register their anger and anxiety.

In the Russian Far East city of Nakhodka, not far from Japan on the Pacific coast, seven doctors who have not been paid since January were in the fourth day of a hunger strike yesterday, Itar-Tass said.

The six women and one man, who work for an ambulance service, were still working but were showing signs of failing health, according to the agency.

In the northern Russian *city of Arkhangelsk, 44 ther*mal plant workers on a hunger strike rejected an offer to pay them part of five months' back wages and decided to continue their strike.

In the city of Yekaterinburg in the Ural mountains, 300 workers building a new subway tunnel refused to return to the surface for a third day. They are reported to have received no wages since November.

Paper uses 'net' to evade strike

By Andrew Jack in Paris

One of France's most radical newspapers yesterday evaded a strike which immobilised the rest of the country's print media by publishing its entire edition on the Internet.

Libération, formed during the 1968 student riots and whose phone number ends with 1789 – the year of the French revolution – defied the communist-backed CGT print union by producing a computerised edition, boosting the normal selection of *daily articles it publishes* on the net into a full version of the paper.

More than 50 French national and regional papers were not distributed yester*day after a one-day stoppage* called to protest against reductions in government financial support to the press and television's growing share of advertising revenues.

Humanité, the French Communist party's daily newspaper, which has its own Internet service designed to help swell the number of youthful supporters, did not update its computer site yesterday. Other newspapers with sites which rely on their printed product were also closed down.

Le Figaro, which does not have its own Internet site, contented itself with a statement from Mr Yves de Chaisemartin, its publisher, who is also head of the Parisian press association, criticising the industrial action as counter-productive.

Mr Pierre Briancon, one of Libération's chief editors, said one of the challenges of producing yesterday's version was that the decision was made late on Tuesday, and a number of journalists had to be contacted at home to ensure they turned up on Wednesday to produce the computerised paper.

Libération has long been opposed to the CGT print union, and its article on the strike yesterday highlighted the internal divisions between its members about the action. By the end of yesterday afternoon, the daily Le Monde also came out with an Internet version containing several of its main articles.

Croats vote under western eyes

On Sunday's elections ride the government's hopes of progress towards full acceptance by the international community, writes **Guy Dinmore** in Zagreb

Croatia holds its first peacetime elections on Sunday, hoping to pass another important milestone towards full acceptance by the international community since independence from Yugoslavia in 1991.

The elections, for the upper chamber of parliament and municipal and regional councils, are seen as a test of President Franjo Tudjman's commitment to democracy and of his personal popularity. A presidential poll is expected as early as June 15.

International monitors will also be keeping a close watch on voting in eastern Slavonia, the last Serb-held enclave in Croatia which will return to Zagreb's full control in a gradual process beginning about a month after the elections.

*Tens of thousands of Cro*atian refugees driven out of the region by the Serbian-dominated Yugoslav army in 1991 are waiting to return to their homes. Diplomats say Mr Tudjman needs to demonstrate that he truly intends to pursue a policy of peaceful co-existence between the two hostile communities.

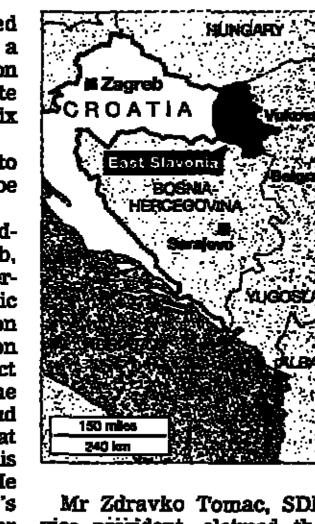
Some commentators, such as Mrs Jagoda Vukusic, deputy editor of the independent newspaper Novi List, fear renewed war in the region after the 5,000 United Nations troops withdraw, a process that could begin on July 15 unless their mandate is extended for a final six months.

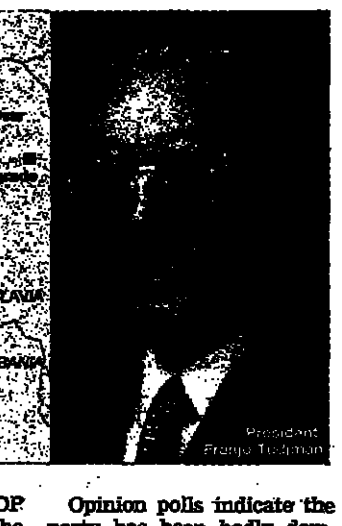
In her view: "It's hard to expect a solution that will be very peaceful."

Croatian opposition leaders in the capital, Zagreb, accuse Mr Tudjman's conservative Croatian Democratic Union (HDZ) of intimidation and of using its domination of state television to conduct a smear campaign. Some expect him to resort to fraud or to refuse to accept defeat in Zagreb, where his party is forecast to lose again. He rejected the opposition's nomination of mayor after its victory in the 1995 polls.

"The HDZ is capable of fraud. Some [members] have openly confessed to it in the *past," said Mr Bozo Kova*cevic, election manager of the Social Liberal party. "The most important question is whether the opposition is united enough to stop the fraud."

In Zagreb, the Liberals are in a loose alliance with the former Communists of the Social Democratic party (SDP) and two other smaller parties. But, by its own admission, the opposition is too fragmented to form a coherent coalition nationwide.





President Franjo Tudjman

Mr Zdravko Tomac, SDP vice president, claimed the election campaign had been the dirtiest ever. The Constitutional Court had intervened to ban an HDZ televi*sion advertisement accusing* his party of being "killers and murderers". The opposition is also unhappy that Mr Tudjman's name is emblazoned at the top of every *HDZ ballot paper although* the elections are for local councils.

Mr Zlatko Canjuga, a senior HDZ official and adviser to Mr Tudjman, dismisses accusations of fraud. "You don't have to be afraid of the HDZ not recognising the results. The HDZ is a democratic party," he said.

Opinion polls indicate the party has been badly damaged by accusations of widespread corruption during the process of privatising state-owned enterprises.

Diplomats expect it to lose in the big cities and a lower majority in the upper house of parliament but still emerge as the single largest party in Croatia with 20-30 *per cent of the overall vote.* This would compare with 45 per cent in parliamentary elections in 1995.

Mr Tudjman, who is 75 years old and is believed to have been treated for cancer in a US military hospital last year, is still Croatia's most popular politician. He is hailed as the father of the newly independent nation. His support is especially strong among the 68,310 Croatian refugees who have registered to vote outside eastern Slavonia for councils in the abandoned and war-ravaged home towns to which they hope to return.

"Croatia has to prove to the international community that it can give equal treat*ment to the Serbs," said Mr* Philip Arnold, spokesman for the United Nations Transitional Administration in eastern Slavonia.

"We've said to Tudjman the world is watching. They can destroy in 24 hours what we have achieved in the last 18 months. We need an orderly return."

A Bosnian Serb mob in the northern city of Banja Luka has attacked a Moslem home and the police trying to protect the family, which was evicted, AP reports from Sarajevo. The city was a Serb stronghold throughout Bosnia's three and a half year war and is the largest city in the Serb entity that makes up half the country.

Mr Kris Janowski, of the United Nations High Commissioner for Refugees, said it was the first time such an incident had happened in Banja Luka since last June.

Renault stands by decision to close Vilvoorde plant following courts' decisions

Belgian car strikers to return to work

By Neil Buckley in Brussels

Workers at Renault's factory in Vilvoorde, north of Brussels, will return to work on Monday after a six-week strike, in spite of the French carmaker's insistence that it will press ahead with plans *to close the factory in July.*

All 3,100 workers at the plant stopped work on February 27 when Renault announced the closure without warning, and have been *blockading BFr5bn ($145m)* of finished cars in the factory.

Their vote yesterday to return to work on Monday followed court rulings in Bel*gium and France last week* that Renault had broken national and European Union worker consultation laws when announcing the closure.

The courts ordered Renault to suspend the closure process while it negotiated with workers over mitigating the effects of the closure and *trying to reduce the* number of job losses. Renault has said it will challenge both rulings.

Union leaders, who have hailed the court rulings as a *victory, believed their nego*tiating hand would be stronger if workers now returned to work, and 1,868 workers supported their call – or 68 per cent of those voting – *with 853 against. But Vil*voorde employees will continue to blockade finished cars and will pursue their planned demonstrations against Renault's decision.

Immediately after the vote, Renault workers travelled to *Volvo's Belgian factory in* Ghent to stage a protest.

Factory workers plan to continue their protest demonstrations

Unions have issued a legal challenge to Renault to pay the wages of workers during their six-week strike, since *they technically remained* on the payroll throughout.

Renault's headquarters in Paris said yesterday it had taken note of the workers' *decision, but this would* have no impact on its decision to close Vilvoorde.

The carmaker, of which the French government retains 47 per cent after par*tial privatisation last year,* says transferring production of Clio and Mégane models to factories in France and Spain – where the same production will be achieved by only *1,900* workers – will save it FFr850m ($147m) a year. It announced its first loss in 10 years in 1996, of more than FFr5bn.

Renault's closure ann*ouncement* has sparked a wave of protests in Belgium – including a march by about 50,000 workers through Brussels – and fears *over the consequences of* globalisation and the single market. It has also created concern about the control of Belgian industrial interests by France – heightened by French company Alcatel Bell's announcement two weeks ago of 500 job losses in Belgium.

The merger due to be announced today of France's Lyonnaise des Eaux and Compagnie de Suez – which owns 63 per cent of Belgium's biggest holding company, Société Générale de Belgique – has also aroused fears that Belgian industrial interests could be harmed.

EUROPEAN NEWS DIGEST

Schröder aims for the top

Mr Gerhard Schröder, Social Democratic prime minister of Lower Saxony, yesterday declared publicly that he wanted to be his party's candidate for chancellor in next year's German federal elections. Recent opinion polls show he would beat Chancellor Helmut Kohl, who last week declared he would run again.

"The chancellor-candidature would be my dream," Mr Schröder said in a Stern magazine interview. "But the matter does not lie in my hand." He needs support from Mr Oskar Lafontaine, the SPD leader, who may wish to run himself.

Mr Schröder is the most senior German politician to challenge the country's cross-party consensus backing the plan for a single European currency in 1999. In a speech yesterday, he reiterated that if Germany could not meet the criteria for economic and monetary union, then delay would be sensible. The D-Mark was a symbol of post-war economic success. "Whoever takes it away must have a damn good reason," he said. *Ralph Atkins, Bonn*

Fugitive trader held in Paris

The former head of a London-based currency trading scheme has been arrested in Paris. Mr Birger Ostraat fled Norway in December after losing his appeal against a seven-year prison sentence for misuse of client funds and related charges. The sentence was the stiffest ever imposed in Norway for an economic crime.

Mr Ostraat's UK company, Effex International Investment, took NKr104m ($15m) in funds from private and professional investors in Norway, Britain and Sweden before it was wound up in 1995. Police found Mr Ostraat living under a false identity in a luxury apartment in the Champs-Elysées. Before extradition to Norway, Mr Ostraat may face charges in France relating to the passport on which he entered the country.

The investigation that led to Mr Ostraat's downfall began when he was arrested after being found with FFr1m ($170,000) in his car on entry to Norway from Denmark. *Dawell Roberts, Stockholm*

Rail crash drivers blamed

Two Spanish train accidents early last week in which 20 people were killed both happened because drivers disregarded signals, according to a report by the state-owned rail company, Renfe, which said it had started disciplinary proceedings. However, its version was challenged by the drivers' union, which blamed a breakdown in safety systems.

The company said a "rigorous" investigation had ruled out mechanical failure. The derailments, which both took place as trains were crossing points at more than 100kph above the prescribed limit, were the result of "human error", it said. Eihteen passengers died in a crowded four-carriage train near Pamplona and two were killed a few hours later on an overnight Barcelona-Málaga express northeast of Madrid. The company said that in the second accident an automatic signal warning system had apparently been ignored. *David White, Madrid*

MEPs spark oil industry ire

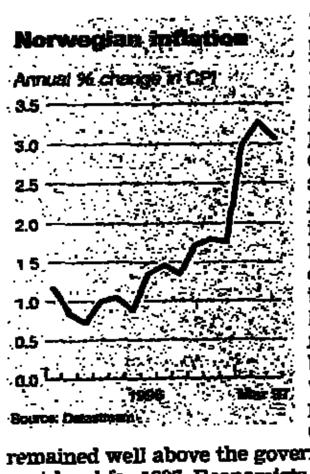
Europe's oil industry yesterday accused the European Parliament of disregarding both "sound science and value for money" after it voted in favour of a series of controversial environmental measures designed to clean up Europe's air.

The amendments to a European Commission proposal for "greener" fuels and tighter curbs on car emissions would force the oil industry to change radically the quality of petrol and diesel fuels. Europia, the petrol industry association, said the measures would impose "huge and unnecessary" costs and would shut refineries.

As the Commission drafted the original proposal, the amendments will go back there before being presented to the Council of Ministers. Ms Ritt Bjerregaard, the environment commissioner, has indicated that she would be unwilling to accept them. However, parliament has the power to throw out the final proposals if it does not like them. *Emma Tucker, Brussels*

ECONOMIC WATCH

Inflation picture mixed



Norwegian consumer prices rose 0.3 per cent in March from the preceding month but the year-on-year inflation rate fell from 3.3 per cent to 3.1 per cent, the central statistical bureau said. The figures gave a mixed impression of inflationary pressures in Norway's booming oil-rich economy, which some fear is in danger of overheating. Increases in rent, clothes, food, shoes and petrol were behind the monthly rise, while energy prices, particularly electricity, declined. Annual inflation remained well above the government's forecast 2.5 per cent level for 1997. Economists have warned that price increases could accelerate in coming months as wage increases have outstripped retail price increases. Real wage growth has been driven by sharply falling unemployment, which has produced labour shortages in some sectors. Gross domestic product growth is forecast to ease to about 3 per cent this year after averaging 4.5 per cent between 1994 and 1996. *Greg McIvor, Stockholm*

■ Danish unemployment fell to a seasonally adjusted 8.1 per cent in February from 8.8 per cent in January.

Czech markets watchdog chief quits

Minister forced out after fierce criticism of department's handling of recent financial scandals

By Vincent Boland in Prague

The Czech government official responsible for regulating the country's capital markets resigned yesterday, bowing to intense criticism of his department's handling of recent financial market scandals.

The departure of Mr Vladimír Rudlovčák, a deputy finance minister and proponent of minimal oversight of capital markets, suggests the government is preparing to revise its anti-regulation stance, which one analyst described yesterday as "the most visible failure of its economic reforms".

The need for tighter regulation of the financial sector became apparent after a series of bank failures last year. Cases of alleged fraud in recent weeks at funds set up to invest in coupon privatisation have increased the clamour for change after thousands of small investors lost money.

Mr Rudlovčák and his officials have been blamed for not monitoring activities at the funds and for delays in acting against wrongdoing.

The alleged frauds, most prominently at the Trend and CS funds, were reportedly caused by managers transferring assets abroad after gaining control of the management companies that ran them.

In the Trend case, several people have been arrested since an independent investigation got under way last October. The fund's main asset, a controlling interest in Prague's flagship department store, has been traced to a Cyprus-registered company.

In the CS case the finance ministry is claimed to have failed to block the transfer of some Kc1.2bn ($42m) abroad despite being alerted that the transaction was suspicious. The money is now being traced.

Mr Rudlovčák's resignation came as Mr John Moffitt, a representative of the Czech Value Fund, which has about $10m invested in Trend, said CVF "reserved the right to file legal action against the state" over the ministry's handling of the case.

According to a finance ministry statement yesterday, Mr Rudlovčák claimed in his resignation letter that there was a "media campaign" against himself and the ministry which had undermined the authority of the capital markets supervision section.

He has been replaced by Mr Jiří Spička, director of financial markets and banking at the ministry, who faces the task of restoring credibility to its securities watchdog role ahead of the establishment of a planned independent commission later this year.

Poor regulation of the Prague stock exchange is one of the main reasons why share prices are in a long slump. But there is no consensus yet on what role the new commission should have or when it will be ready.

Romania to liquidate 10 big loss-makers

By Anatol Lieven

Romania is to liquidate 10 large state-owned enterprises and 20 state farms, which together accounted for 7.5 per cent of the total losses of Romanian business last year.

The announcement comes as the International Monetary Fund and the World Bank consider the new government's requests for help in a radical restructuring programme. Closure of loss-making companies is high on the list of both bodies' conditions for lending.

It also coincided with official figures showing that inflation soared in March to a record monthly rate of 30 per cent. This is a result of the government's liberalisation of prices and, to a lesser extent, of higher public spending by the previous administration before last November's parliamentary elections.

The resulting decline in Romanians' spending capacity is hitting some companies hard. Daewoo, the biggest overseas investor in Romania, announced this week that it was sending many of the workers at its Craiova car plant on two weeks compulsory leave because of a steep fall in domestic sales.

Closure of the 10 plants, expected heavy redundancies in associated businesses, and inflation could combine to raise social tension. This week 6,000 workers from the giant Roman lorry plant in Brasov went on strike. They blocked the main road to the capital, Bucharest, in protest at lack of state support, and claimed that some managers were privatising the profitable parts of the factory to their own benefit.

Two refineries are on the government's list, one of them Petromidia, which is the country's biggest. Cutting refining capacity, which was inflated to 28m tonnes a year under the Ceausescu dictatorship, has long been urged by international financial institutions.

Other casualties include the Chitila brewery in Bucharest.

However, there were doubts yesterday whether the government had a detailed plan for liquidating the companies and selling their viable elements.

The State Property Fund, which is the responsible body, has not been available for comment on the list, which was said to have been drawn up by the economic reform ministry and issued by Mr Victor Ciorbea, the prime minister.

The Romanian media have been full of statements by the enterprise directors that rescue packages are in place. One of them, the Tomistex textiles plant in Constanta, is claiming that it was privatised by auction several weeks ago and should not be on the list.

Backed by the parliamentary opposition, some of the companies may be preparing to challenge the government in the courts.

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NEWS: ASIA-PACIFIC

Fifth of Japanese companies admit to wrongdoing

By Gwen Robinson in Tokyo

Corruption in corporate Japan appears to be widespread, says a survey whose findings will make grim reading for Mr Ryutaro Hashimoto, the prime minister, who has made higher ethical standards in business a key policy issue.

In a survey of 1,860 Japanese corporations, including top listed companies and life insurers, the Corporate Auditors' Association of Japan found that one-fifth of those surveyed had been embroiled in at least one scandal or improper business practices in the past 10 years. The most common offences were violations of the anti-monopoly law and criminal cases, including bribery and bid-rigging.

Just less than 65 per cent of companies approached responded to the survey, which highlights the entrenched nature of corruption and unethical business practices in corporate culture.

Japan's most recent spate of corporate scandals merely highlights the so-called "iron triangle" of cosy relationships between senior corporate executives, politicians and bureaucrats. The most spectacular case in post-war history was the downfall of a former prime minister, Mr Kakuei Tanaka, over the Lockheed bribery scandal.

Among the most prominent of recent examples is the case of Mr Nobuharu Okamitsu, the former vice minister of health, who is now on trial for accepting at least Y60m ($472,000) in bribes from a property developer in return for providing generous government subsidies to build nursing homes.

Some observers say reforming Japanese corporate culture to bring it in line with international standards will require a bottom-up revolution, from basic concepts of corporate governance to the murky web of favours-for-favours relationships that has been in place since the days of the powerful pre-war *zaibatsu* conglomerates.

The larger the company, the more likely the incidence of scandal, according to the report, which found that nearly one-third of companies with capital of between Y20bn and Y50bn had been accused of wrongdoing.

Among the largest companies, capitalised at more than Y50bn, the rate of scandal was about 25 per cent, while among the smallest, with capital of less than Y5bn, the rate was 13 per cent.

The sharpest increase in the number of corporate scandals occurred in 1990 and 1991, following the collapse of the speculative bubble economy era when banks readily extended massive loans, often to unscrupulous property developers and speculators. By sector, companies in construction, property and finance were most prominent.

Even the most banal corporate routines, such as annual shareholders' meetings, are rife with shady dealings. Every year, after meetings following the March 31 business year-end, companies are exposed for paying off *sokaiya*, or corporate gangsters, to ensure smooth procedures.

Talks fail to resolve Sino-Vietnam oil dispute

By Tony Walker in Beijing

Talks between China and Vietnam aimed at resolving an oil drilling dispute in contested waters has resulted in greater understanding, but an early settlement is unlikely, according to a Chinese foreign ministry spokesman.

"We hope that we can resolve our differences through peaceful discussions, but some differences cannot be resolved immediately," said Mr Shen Guofang, the official spokesman.

China and Vietnam agreed to official level talks in Beijing to calm a simmering row over Chinese oil drilling in the Gulf of Tonkin, 65 nautical miles from the Vietnamese coast.

Beijing has withdrawn its drilling rig from the area, but tensions remain over prospective oil and gas deposits in disputed waters of the South China Sea. China's claim to virtually all of the South China Sea has prompted arguments with its neighbours over waters around the Paracel and Spratlys islands which are believed to be rich in hydrocarbons.

Officials' talks in Beijing are continuing, but territorial issues appear intractable. China has proposed joint exploitation of disputed areas, but its neighbours have reacted coolly.

Beijing and Hanoi have been at loggerheads over the Gulf of Tonkin and South China Sea for decades, but have sought recently to improve working ties and avoid serious conflict.

The two sides fought a border war in 1979 and their navies have skirmished in the South China Sea.

Vietnam, meanwhile, has announced it is beefing up border patrols along its 1,306km frontier with China, Reuters newsagency reports from Hanoi. It was not immediately clear whether the announcement was timed to coincide with the Beijing talks.

The official Quan Doi Nhan Dan (People's Army) daily said in an editorial that while existing security had succeeded in preventing "bad elements" from infiltrating Vietnam "new, complicated demands and hard tasks have emerged for the defence of the borderline."

The Sino-Vietnam frontier is highly porous and drug smuggling is a significant problem.

● President Jiang Zemin of China will visit Russia from April 22 to 26. Mr Jiang and President Boris Yeltsin are due to sign a border troop accord with the presidents of the Central Asian states of Tajikistan, Kazakhstan and Kyrgyzstan.

Yen proves embarrassment ahead of PM's visit to US

As Japan's prime minister, Mr Ryutaro Hashimoto, prepares to fly to the US later this month, the foreign exchange markets have dealt him a small, embarrassing blow.

After a week of decline, the yen sagged further yesterday to touch Y127 against the dollar, its lowest level against the US currency for almost five years.

But the surge for the dollar has prompted renewed fears among US manufacturers that Japan is using a weak yen to export itself out of recession, at the expense of US business. It is also fuelling some sensationalist headlines in Japan.

Whether the Japanese authorities will continue to let the yen fall is uncertain. Japan's finance minister, Mr Hiroshi Mitsuzuka, yesterday warned that the movements were "clearly excessive" – a remark that helped push the currency up later in the day.

Although a chorus of calming remarks has come from senior Japanese figures about the currency in recent days, there is still little sign of overt intervention.

Nevertheless, the political and diplomatic pressures which the latest currency weakness is creating are clear. Earlier this week, Japan's current account surplus in February was revealed to be 15.4 per cent up on the same month a year earlier, the second consecutive month of increase after four years of gradual decline.

The current account figures may be an easy political target in the US, but in practice this week's numbers were not actually as dramatic in trade terms as the headline figure might seem to suggest. It was not so much Japan's exporters who were the chief culprit for this week's embarrassing surge, but the country's hordes of powerful investors.

In recent months, the surplus in traded goods has been on the rise, as exports have grown steadily, boosted by the weaker yen. In February, for example, the surplus on traded goods was Y878bn ($6.9bn), up from Y853bn the previous year.

This increase in traded goods in February was actually eclipsed by a surge in investment flows. The surplus in the income received on investments held by Japanese overseas leapt from Y478bn to Y599bn, largely due to a 33 per cent rise in the balance on portfolio investment. This rise in the financial flows may carry less political punch, and certainly has received little attention in Japan's press.

But, like the more politically controversial manufacturing exports, it also stems partly from the currency swings. In recent years, Japanese direct investment overseas has been rising, partly because Japanese manufacturers have moved factories overseas to cope with the strength of the yen earlier this decade.

Now that the yen has recently fallen back, earnings on this investment now appear to be higher when translated from a currency such as dollars back into yen. The same magnifying effect is at work with the portfolio investments held by Japanese in overseas bonds and equities, investments that in any case have been surging dramatically in recent months.

Last year, for example, the big life insurance companies raised their holdings of foreign securities by Y3,244bn, a dramatic increase compared with previous years.

These same life insurance companies are at present mulling over their investment plans for the 1997 fiscal year. In a peculiarly Japanese practice, for example, Nippon Life Insurance, the largest group, called a press conference earlier this week to disclose it planned to increase its holdings of foreign assets by some Y300bn in overseas assets this year.

The rising trend in US interest rates means Japanese investors can now receive much better returns overseas than in Japan. Meanwhile, the planned financial deregulation – including a key change to the foreign exchange law next spring – is fuelling Japanese investors' ability to invest outside Japan.

Mr David Rose, economist with SBC Warburgs, says: "People are just waiting for money to start flowing out of Japan." This means portfolio investment will probably surge further this year. If this is coupled with higher exports as well, the current account figures will soon be painting a considerably more embarrassing picture for Japan's leaders.

Unless, of course, the yen suddenly strengthens dramatically again.

Gillian Tett

Pakistan is set to see the tax tables turned

What happens in the popular cafes and restaurants across Karachi's posh Clifton neighbourhood over the next few months will say a lot about the fate of economic reforms announced recently by Mr Nawaz Sharif, Pakistan's prime minister. If customers are given proper invoices instead of a plain piece of paper excluding a 12.5 per cent government tax, as is customary in many establishments, then the new government's hopes of much-needed additional revenue will be lifted.

Sharif: deficit difficulty

Leaving the government's bit out of financial transactions is common in many businesses across Pakistan, fuelling the impression that it is a country in which tax evasion is widespread. Cuts in income and corporate taxes, announced last month, are intended to encourage Pakistanis to begin paying their dues. It was also a response to criticism that evasion was prompted by high tax rates.

If he succeeds, that would make an important change in a country where less than one per cent of the population pay any income tax, and corrupt tax officials have built sizeable fortunes through bribes.

However, with opinion divided over the final outcome, many have already dubbed the move as the government's biggest gamble.

Mr Sartaj Aziz, the finance minister, convinced that the new policy will work, says: "I have great faith in the dynamic nature of our economy. I hope we will get more revenue."

But Mr Zahid Zaheer, secretary general of the Overseas Chamber of Commerce and Industry, the main umbrella organisation representing foreign businesses in Pakistan, disagrees. He says businessmen are "not going to change their colours overnight. This is wishful thinking".

Mr Sharif's greatest difficulty is a public sector deficit and no means of closing it. Some analysts warn that it may increase over the next year. Pakistan thus runs the risk of adding further to its recent notoriety of not meeting its target of cutting its deficit, western economists in Islamabad say.

The deficit during the current financial year (July-June) is expected to be at least 1.5 percentage points higher than the target of 4 per cent of gross domestic product announced last year by the government of Ms Benazir Bhutto, the former prime minister. In spite of strong support given by the International Monetary Fund to last month's reforms, western diplomats in Islamabad say that Pakistan will face tough questions on its worsening tax revenues and future projections, when the annual donors' consortium meets in Paris later this month.

Many businessmen say that the cuts need to be followed through with a large scale revamp of the tax system.

Mr Ali Raza at Bank of America calls for more than "impressive announcements". Mr Sharif has got to follow through with new legislation with the support of his party's overwhelming majority in the parliament. He will also have to make businessmen convinced that lapses by the tax bureaucracy do not disrupt his plans, he says.

Others say that while Mr Sharif has projected himself as a business-friendly leader, he must demonstrate that stiff punishments await those violating tax laws. "Sending corrupt tax officials or tax evaders to jail is rare in Pakistan. It's the absence of the fear of prosecution that makes people bold and promotes thievery," says another businessman.

Mr Sharif has begun to take away some of the arbitrary powers of tax officials. These include frequently calling on taxpayers to visit their offices. However, its not yet clear how fast he can revamp the tax system to begin reaping results. Some senior officials in Islamabad say it may take one to two years before higher revenues begin to flow, though Mr Sharif's supporters hope to see improved results by the end of this year.

In spite of such concerns, many businessmen have welcomed the reforms, saying that they were long overdue. Mr Atif Bajwa, country head of ABN-Amro, the Dutch bank, says: "The risk is that in the short term, revenues will dip before recovering. It's a risk worth taking. There's no other option. The real question is whether the mind-set towards taxes will change."

Farhan Bokhari

ASIA-PACIFIC NEWS DIGEST

Gunfire precedes Cohen at DMZ

North and South Korean troops exchanged warning shots at their tense border yesterday, shortly before Mr William Cohen, US defence secretary, flew to the area, US and South Korean officials said. Southern troops on patrol within the Demilitarised Zone (DMZ) fired 10 shots into the air after spotting a group of North Korean soldiers who had crossed the border line, the officials said.

"The North Korean soldiers fired back warning shots and withdrew," a Seoul military spokesman said.

The shooting in the eastern sector of the heavily fortified DMZ took place about an hour before Mr Cohen flew by helicopter to the border village of Panmunjom, about 100km west of the flashpoint.

Standing at the DMZ, set up as a buffer zone under an armistice that ended the 1950-53 Korean War, Mr Cohen denounced North Korea's "decaying and dying" communist system and called on Pyongyang to make peace with South Korea. *Reuter, Panmunjom*

Taiwan bid to ease relations

A senior Taiwanese negotiator with China is set to visit mainland cities later this month in what could be the beginnings of a thaw in troubled ties across the Taiwan strait. Mr Lee Ching-ping, deputy secretary general of the Straits Exchange Foundation, will lead a delegation on a 10-day visit to Beijing, Zhengzhou, Chengdu and Shanghai starting April 28.

The quasi-official foundation handles cross-strait talks, which were cut off in June 1995 by Beijing in anger over a private visit by Mr Lee Teng-hui, Taiwan's president, to the US. The aim of the trip is to discuss issues relating to authentication of documents such as marriage licences and diplomas, which is problematic because neither side formally recognises the authority of the other's government and institutions. *Laura Tyson, Taipei*

■ China has given approval to six domestic companies to begin direct shipping services with Taiwan, the China Business Times said yesterday. Taiwan bans direct trade with China, although it permits commercial links through other territories, usually Hong Kong. The two sides reached agreement on direct crossings between Taiwan's port of Kaohsiung and Xiamen in China with inaugural sailings expected this week. *Reuter, Beijing*

Indian lorry strike peace

Most of India's 3m truck and freight drivers agreed to end a nine-day-old strike late on Wednesday after Mr P. Chidambaram, finance minister, told union leaders he would revise collection procedures for a controversial new hauliers' service tax and defer sharp rises in insurance premiums. The exceptions were truckers in Maharashtra – India's most industrialised state and home of its biggest port, Bombay – who said they would continue the strike and hold out for a complete withdrawal of both the tax, introduced in the February budget, and new insurance rates. *Mark Nicholson, New Delhi*

Singapore manufacturing fall

Singapore's manufacturing output dropped 5.5 per cent year-on-year in February mainly because of a continued slowdown in the electronics sector, the government announced yesterday. It was the fourth consecutive month of year-on-year declines. The output of electronics goods, which account for more than 60 per cent of the island's exports, fell 7.8 per cent compared to February 1996. Production of fabricated metal products and plastics products, which is partly driven by the electronics sector, also fell. *James Kynge, Singapore*

Australia unemployment eases

Australia's unemployment rate eased marginally, from 8.8 per cent to 8.7 per cent in March, but this largely came from statistical "rounding" and a drop in the percentage of people looking for work. More ominously, the number of jobs also fell around 33,900, with a marked drop in female full-time employment. The latter development – which had not been expected by economists – could reduce further any chance of an increase in interest rates until late-1997. Some analysts even suggested yesterday the momentum could swing in the other direction if an improvement in labour market conditions does not materialise soon, and make another interest rate cut "a distinct possibility". *Nikki Tait, Sydney*

Peregrine Bangladesh protest

Peregrine Investment Holdings, the Hong Kong-based investment bank which last week protested to the Bangladesh government over what it described as politically inspired action against its staff, yesterday placed full-page advertisements in local newspapers defending itself. Its public protest follows the issue of an arrest warrant against Ms Runa Alam, head of the company's investment banking business in Bangladesh.

The warrant was among 32 issued against local broker-dealers in the wake of Bangladesh's stock market crash. Peregrine, the only international investment bank in Bangladesh, blamed local authorities for failing to control a market bubble which saw the Dhaka stock exchange index rise from 900 to 3,700 in 1996. *Kasra Naji in Dhaka*

Mobutu in 'last gasp' turns to the military

By Michela Wrong in Nairobi

Belgium yesterday joined the US and France in washing its hands of Zaire's President Mobutu Sese Seko, saying his decision to replace civilian Prime Minister Etienne Tshisekedi with an army general meant the central African nation was now being run by a military dictatorship.

Drawing parallels with the events that preceded Mr Mobutu's seizure of power in 1965, Mr Erik Derycke, the Belgian foreign minister, said Wednesday's appointment of General Likulia Bolongo as premier signalled the suspension of democratisation in Zaire.

"(This) is a military dictatorship revisited, with a military man as prime minister and the parliament thrown aside," he said in Brussels.

The rebuff by Zaire's former colonial master, coming hard on the heels of Washington's description of Mobutu's regime as "a creature of history" and a belated diplomatic distancing by Paris, underlined the cancer-stricken president's increasing isolation as rebels extend their hold over the country.

Earlier in the day Mr Laurent Kabila, head of the rebel Alliance of Democratic Forces for the Liberation of Congo (ADFL), gave Mr Mobutu three days to start talks on relinquishing power or face a fresh offensive.

"I am waiting for a little period of three days for Mobutu to make a decision to contact us to negotiate his departure," said Mr Kabila, whose men now control Zaire's main mineral-producing regions. "If this doesn't happen," he added, "We will be forced to advance on all fronts."

The 66-year-old president is coming under intense pressure from his former allies to bow to the inevitable and take exile abroad. But there was little sign yesterday of an imminent departure, with the new prime minister ruling out any thought of Mr Mobutu's resignation and promising instead to restore order to the crumbling state.

Mr Kabila's ceasefire offer came as ADFL fighters battled to quash the last signs of resistance in the copper-producing city of Lubumbashi, which was captured by the rebels on Wednesday in the most significant conquest of their five-and-a-half-month civil war.

Residents said although many senior officers had flown out of Lubumbashi, Zaire's second-largest city, a contingent of some 100 presidential guards surrounded and trapped at the city airport was putting up a fight.

In contrast, the capital Kinshasa was reported to be calm after Wednesday's clashes between supporters of the ousted prime minister and security forces. But members of the main opposition party said they regarded the appointment of General Likulia, the former defence minister, as nothing short of a military coup and the last gasp of a dying regime.

Germany suspends 'dialogue' with Iran

Berlin court verdict marks further twist in controversial aspect of Bonn's foreign policy

By Frederick Stüdemann in Berlin

The suspension of Germany's policy of "critical dialogue" with Iran yesterday, following the verdict of a Berlin court that Tehran was behind the killings of Kurdish opposition figures, marks a dramatic twist in one of the more controversial aspects of Bonn's foreign policy.

Bonn's enthusiasm for engaging rather than shunning Tehran was never popular with Germany's allies, in particular the US. European Union member states, which have officially supported the policy of critical dialogue, were also nervous about engaging too closely with Tehran, which Washington sees as a sponsor of international terrorism.

But in an echo of West German Ostpolitik, which sought to achieve change in the communist eastern bloc through constructive engagement, Bonn has argued that only by maintaining a dialogue with Tehran could relations between Iran and the west be improved and any tensions removed.

Germany's stance has also been influenced by its extensive trade links with Iran, for whom it is the largest western trading partner and most important friend in Europe.

Between January and November last year, German companies exported DM2bn ($1.2bn) worth of goods, mostly machinery and electronic items, to Iran.

Relations between the two go back a long way. Before the first world war, imperial Germany sought close influence with Tehran in a bid to extend its commercial interests in south-west Asia. For Tehran, the Germans represented a source of western technology and were seen as a counter-balance to the great powers Russia and Britain.

These ties led to deeper exchanges. Iranian students flocked to universities in Germany while German military and civilian officials acted as advisers to Tehran. After the second world war, Germany was one of Shah Mohammed Reza Pahlavi's closest allies and German companies among the biggest investors in Iran.

Under the Shah, the Iranian state acquired a 22 per cent stake in Krupp Hoesch, the German steelmaker, and a 25 per cent stake in Deutsche Babcock, an engineering company.

Members of Iranian opposition groups shout slogans outside the Berlin court Reuter AP

Relations soured somewhat in the 1980s following the Islamic Revolution. Tehran was angered that during its war with Iraq German companies sold Baghdad "dual use" industrial goods capable of being deployed for military purposes.

Tehran this week announced its intention to sue 24 German companies for allegedly providing Iraq with chemical weapons.

Iran continues to hold its stake in Krupp but sold its shares in Deutsche Babcock in 1987. In recent years, Tehran has shown interest in acquiring companies in eastern Germany. In 1992 it made an offer for Pneumant Reifenwerk Fürstenwalde, a tyre company, later bought by Dunlop.

On the darker side of the relationship are links between German and Iranian security officials.

Mr Ali Fallahian, Tehran's chief of foreign intelligence, visited Bonn in October 1993 and met German government officials. He also visited the offices of the Federal Intelligence Service (BND) in Munich.

The visit irked Germany's allies, particularly as western intelligence officials suspected Tehran of using its embassy in Bonn as a base for terrorist operations.

In March last year, a warrant for his arrest was issued by the German state prosecutor's office in connection with the killing of four Kurdish opposition figures in a Berlin restaurant in 1992. These were known as the Mykonos murders, after the name of the restaurant.

Yesterday, Mr Fallahian was the only high-ranking Iranian figure explicitly named in the court's verdict. His 1993 visit was organised by Mr Bernd Schmidbauer, security adviser to Chancellor Helmut Kohl. Mr Schmidbauer sees close links to Tehran as a way for Germany to play a more active role in the Middle East.

Last year, that view appeared vindicated after Mr Schmidbauer successfully brokered the exchange of hostages and corpses between Israel and the Iranian-backed Hizbollah group.

The release in 1992 of two German hostages held by Hizbollah in Lebanon and the freeing in 1994 of a German engineer held in Iran on spy charges are also credited to Mr Schmidbauer's cultivation of close links with Tehran.

Ecologists square up for dam debate

By Leyla Boulton, Environment Correspondent

Officials, executives, and environmentalists gathered outside Geneva yesterday to thrash out differences over whether large hydro-electric dams should be built in developing countries.

The aim of a two-day workshop organised by the World Bank and the World Conservation Union (IUCN) is to initiate a dialogue between the opponents and advocates of big dams as a motor for development.

While Third World governments see dams as an important source of energy for economic development, environmentalists worry about the resulting ecological damage and social dislocation.

The IUCN, the world's biggest union of conservation pressure groups and official agencies, sees the meeting as a test the scope for environmentalists to co-operate with industry and governments in devising more environmentally sensitive dams.

"This is not a black or white issue," said Mr Ricardo Bayon, of the IUCN. "There are a lot of shades of grey. The environmental impact depends on where and how you build the dams".

Companies which like to see themselves as environmentally responsible are keen to overcome pressure groups' resistance, saying deals will otherwise go to contractors with no regard for the environment.

Participants at the meeting include ABB, the Swiss-based engineering group, which has been criticised for its involvement in Malaysia's Bakun dam, and Mr Tanlin Yuan, deputy director of the Chinese water resources ministry.

China has faced particularly fierce criticism for its Three Gorges project, which will move away 1m people, and is being boycotted by Eximbank, the US export-credit agency.

As a sign of its nervousness over large dams, the World Bank has stayed out of Bakun and has not been asked to finance the Three Gorges. But it is keen to explore in what circumstances it might finance other dams, such as the Nam Theun project in Laos which is still under discussion.

An internal evaluation by the World Bank of 50 large dam projects it has financed to date kicked off the discussion yesterday.

The report by the Bank's internal watchdog says that "in most of the cases...benefits have so far outweighed costs, including the costs of adequate resettlement programmes, environmental safeguards and other mitigatory measures".

Mr Patrick McCulley, of the International Rivers Network, a California-based environmental pressure group, told the workshop that the study's conclusions were based on "seriously flawed methodology and incomplete and inadequate data".

It has joined forces with 49 non-governmental organisations from 21 countries to demand that the Bank reject the review's conclusions.

The Bank's evaluation accepts that only 14 of the 50 projects, most of them ushered in before the bank introduced guidelines on resettlement and environment, met "acceptable social and environmental standards".

Abacha 'to stay'

Nigerian democracy campaigners said yesterday a decree giving military ruler General Sani Abacha new powers showed he intended to stay in office through his plan to restore civilian rule, Reuter reports from Lagos.

Details of the new decree, which emerged in local newspapers, said Gen Abacha was given absolute power over local governments elected in a March multiparty ballot.

"It shows the transition programme of General Abacha is designed by him and for him and lacks all semblance of a democratic process," said Mr Gani Fawehinmi, a human rights lawyer.

NEWS: WORLD TRADE

Canada takes free trade trail alone

By Nancy Dunne in Washington

Canada is to seek free trade pacts throughout Latin America without waiting for the US to take the lead on trade liberalisation in the hemisphere.

Canada's decision will worry US companies which fear they will lose business opportunities to Canadian rivals.

White House ambitions to widen the North America Free Trade Agreement (Nafta) are held up by disagreements with Congress over granting "fast track" negotiating authority to the administration. The White House wants to forge bilateral pacts first with Chile, then possibly Argentina, culminating in a hemisphere-wide free trade pact.

When "fast track" authority is granted, Congress agrees not to amend trade deals after they are presented for approval or rejection. Obtaining the authority is considered vital by US trading partners before any major trade negotiation.

Mr Art Eggleton, Canada's trade minister, said in Washington this week: "We're going to certainly move ahead with our relationships in Latin America. If we wait, we will be left behind."

Mr Eggleton was reportedly told by US trade officials that the Clinton administration will not begin its push for "fast track" authority in Congress for months.

Many Democrats – and some Republicans – oppose further trade pacts. The administration has decided not to inflame intra-party hostilities before waging this year's fight over the 1998 budget.

The White House had been hoping that momentum towards obtaining "fast track" would be well under way by the time the president visits South America in October.

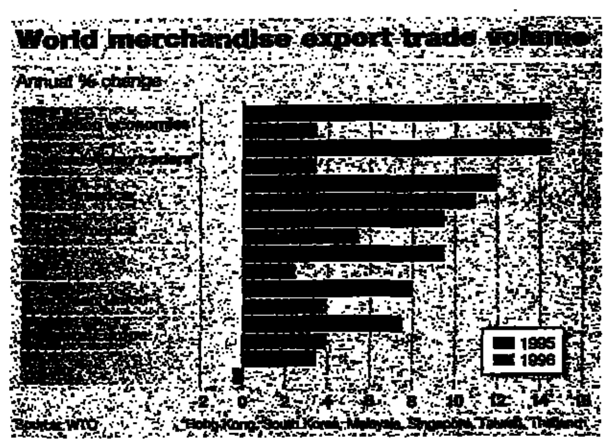
Mr Eggleton said he would soon meet Brazilian officials to discuss a possible arrangement with the Mercosur trade grouping – Brazil, Argentina, Paraguay and Uruguay. Canada already has a bilateral pact with Chile, negotiated when the US delayed on its commitment to bring Chile into Nafta.

During his three-day visit to Washington, Canada's prime minister, Mr Jean Chrétien, repeatedly urged Congress to pass the fast-track measure. But he made no more visible impact than President Eduardo Frei of Chile, who made the same plea in February.

Mr Eggleton said the biggest single obstacle to "fast track" was the administration's desire to negotiate side pacts to free trade deals to cover labour market and environmental issues.

Asian tigers lose their bite as exports slump

By Frances Williams in Geneva



Growth in world trade halved last year, mainly because of a sharp deterioration in the performance of Asia's leading exporters, the World Trade Organisation said yesterday.

In its annual estimates of global trade performance, the WTO said the volume of global merchandise trade rose by 4 per cent in 1996, down from an unusually high 8.5 per cent in 1995, though still above the increase in world industrial output of 2.5 per cent. Slightly higher trade growth is forecast for this year.

In Asia, however, for most of the 1990s the most dynamic trading region in the world, export volume growth slumped from 9.5 per cent to 2.5 per cent between 1995 and 1996.

Not only was this the worst performance of any region last year but it was [illegible] 5 per cent increase in gross domestic product.

Japanese export volumes contracted by 0.5 per cent in 1996, despite real output growth of 3.5 per cent. Even more significantly, there was a marked slowdown in the growth of merchandise exports from the six "Tiger" Asian economies – Hong Kong, South Korea, Malaysia, Singapore, Taiwan and Thailand.

Their exports rose by just 3.5 per cent in 1996 compared with 14.5 per cent the previous year and average yearly volume growth between 1990 and [illegible] 10 per cent.

In dollar terms the loss of [illegible] even more dramatic: export growth [illegible] from 18 per cent in 1995 to 1 per cent in 1996, [illegible] the appreciation of the dollar as well as the decline in export volumes. Currency effects were the main factor behind the worldwide deceleration in export value growth from 19.5 per cent in 1995 to 4 per cent last year.

The WTO says a full explanation of the Asian slowdown must await more detailed trade figures for 1996. However, its economists believe that one likely cause is Asia's dependence on trade in office and telecoms equipment which slowed sharply last year after strong growth in 1995.

In addition, countries that peg their currencies to the dollar, such as Hong Kong and Singapore, will have lost competitiveness in Japanese and western European markets as the dollar strengthened.

Fiji under attack on workers' rights

By Frances Williams in Geneva

International trade unions have launched a fierce attack on Fiji's worker rights record to coincide with a report on the island's trade policy by the World Trade Organisation published yesterday.

The International Confederation of Free Trade Unions said Fijian export policy was driven by labour rights abuses, racial and sexual discrimination, child labour and a contract labour system that included elements of compulsion. Fiji is the first country to be reviewed by the world trade body since trade ministers signed a declaration in Singapore last December pledging their governments to respect basic labour standards.

"The Fijian government's violation of basic labour standards is part of their policy of creating a cheap labour force to attract foreign investment and increase exports," Mr Bill Jordan, ICFTU general secretary, said.

The declaration, which says the International Labour Organisation is the most appropriate body to deal with labour standards, was seen by many developing countries as a way of heading off US and European pressure to discuss worker rights in the WTO.

However, US officials said at the time that Washington intended to call individual countries to account during the WTO trade policy reviews, and duly raised the issue this week when the Fiji report was discussed by WTO members. Other countries also questioned aspects of Fijian policy related to gender and racial equality.

The Fiji delegation – backed by several developing countries – declined to respond, saying these matters were for ILO. But trade officials expressed concern afterwards that the US stance could provoke a sterile and time-consuming repetition of the divisive labour standards debate at future trade policy reviews.

The ICFTU report is particularly critical of conditions in Fiji's expanding export processing zones, which employ 13 per cent of the workforce, mostly in garment manufacturing.

Fiji's laws restrict the right to strike and the registration of trade unions.

Importers adjust to return of Indonesia customs office

Ten years after contracting out, government hopes corruption and efficiency are things of the past, writes Manuela Saragosa


Surabaya Harbour

When Indonesia's customs office last week resumed its job 10 years after the government in effect stripped it of its mandate because of inefficiency and corruption, businesses that do a lot of importing prepared for the worst.

The government's directorate-general of customs and excise last week was given back control over the inspection of commercial cargo entering Indonesia, ending a period during which the process was administered by the Swiss surveying firm Société Générale de Surveillance (SGS), which checked cargo at the point of loading outside the country.

The change in customs procedure raised concern that there would be a slowdown in imports, and a return to problems of corruption, congestion and inefficiency of the past. But in what is turning out to be an issue of national pride, officials at the directorate general of customs and excise retort that the introduction of a computerised customs procedure and the training of new personnel will prove that importers' concerns are not warranted.

"It can be assured that past habits will not exist any more," says Mr Jusuf Indarto, head of the international affairs division at the directorate general of customs and excise at the ministry of finance in Jakarta.

Like others in his department, he insists that the success of many of the country's export-oriented industries depends on a smooth supply of imported raw materials.

While the pre-1985 system of customs inspection required up to 37 signatures and a similar number of unofficial fees to clear cargo, under the new system shippers send cargo data to customs by computer. That, says Mr Indarto, "reduces or eliminates direct contact between customs officials and the importers" and minimises opportunities for what he calls "malfeasance" on behalf of customs officials.

Nevertheless, Mr Soesono, secretary general of the Indonesian Association of Automotive Industries, which oversees imports of car and motor parts, says there have been problems with the new computerised system but it is still not clear whether these are of the usual teething variety. "I think we'll just have to trust them," he says, referring to customs officials.

Many importers have not forgotten the conditions at ports which prompted President Suharto to call in SGS in 1985. In the early 1980s, ports were identified as the main culprit in what was referred to as the "high cost" economy, acting as an obstacle to the promotion of non-oil exports at a time when the Indonesian authorities had embarked on a drive to deregulate trade and expand the economy's export base. Before the involvement of SGS, it took anywhere between five days and four weeks to clear cargo through customs and it was not unusual for importers to receive goods other than those ordered.

While importers praised Mr Suharto's recruitment of SGS as an important milestone in deregulating the economy, many customs officials saw the involvement of a foreign company as humiliating. An attempt to address the problem was made in 1991 when the government established a joint-venture company, known as Surveyor Indonesia, to take over progressively the administration of pre-shipment inspections from SGS. The contract for Surveyor Indonesia – 76 per cent owned by the ministry of finance, 20 per cent by SGS and 4 per cent by Sucofindo, a state-owned surveyor company – ended on March 31.

Officials point out that it was known all along that SGS's involvement would be temporary. Importers say much will now depend on the customs and excise office's success in co-ordinating with other government departments, including the state-owned Jakarta port authority. In addition, it is hoped that new personnel trained to manage the system will bring along a change in the culture which has dominated customs offices in Indonesia.

Mr Indarto is keen to assure that co-ordination between various government departments has improved, procedures have been simplified and strict penalties introduced for "offending" officials.

Indonesia's drive to liberalise trade has introduced "requirements of transparency, simplicity and efficiency", he says. "Otherwise we will be left behind."

Brazil civil servants face job losses

By Geoff Dyer in São Paulo

Brazil's economic reform programme has won a substantial boost with the approval by legislators of a bill to overhaul the civil service which could lead to thousands of redundancies.

However, in order to guarantee approval of the bill the government agreed to support a controversial amendment which gives legislators a salary ceiling double that of other civil servants.

The bill, which was narrowly backed by the lower house of Congress on Wednesday night, allows all levels of government to shed workers who are currently protected by the constitution, and is a crucial part of the government's efforts to reduce its budget deficit and consolidate its anti-inflationary reforms.

The government estimates that savings from the reform could be equivalent to 1 per cent of gross domestic product.

Mr Luiz Carlos Santos, minister for political affairs, said: "This legislation will be the salvation of many state and municipal governments which are so bankrupt they cannot even pay their staff."

The legislation, voting on which had already been postponed twice, received 309 votes, one more than the three-fifths majority required for constitutional amendments. Before it becomes law, the bill must still be approved again in the lower house and twice in the Senate.

The law caps monthly civil service salaries at R$10,800 (US$10,285). However, the lower house will vote next week on an amendment which lifts the pay ceiling for elected officials to R$21,600 a month, including pensions, or R$259,200 a year.

More than 100 deputies, who already receive generous pensions from previous civil service jobs, would lose out under the proposed salary cap. The minimum wage in Brazil is R$112 per month.

In tense negotiations prior to the vote, President Fernando Henrique Cardoso agreed to support the amendment. His spokesman, Mr Sergio Amaral, defended the decision, saying "it was the price the government had to pay to get a reform that the country needs".

However, the amendment will meet strong opposition in both the lower house and Senate, especially from Mr Cardoso's Brazilian Social Democratic Party (PSDB). Mr José Serra, a PSDB senator and former planning minister, described the amendment as "indecent".

The legislation permits all levels of government to lay off workers if payroll expenses are equivalent to more than 60 per cent of net tax revenues. If the amendment is approved, it is expected to reduce planned savings of R$18bn over five years by R$500m.

Economists welcomed the approval of the bill but questioned whether the savings would be as large as the government predicted, especially in the short term. With elections next year, state governors might be reluctant to make workers redundant, they said.

Distractions get in the way of diplomacy

White House has been slow to turn its attention to foreign policy, writes **Bruce Clark**

A couple of weeks ago, it was only a whisper, but now Washington observers are saying it out loud: the foreign policy of President Bill Clinton's second administration is taking a long time to get into its stride.

On one hand, Mrs Madeleine Albright, the secretary of state, has already stamped her feisty personality on the job and won friends in unlikely places. She has softened the suspicion of Senator Jesse Helms, the scourge of liberal internationalism and chairman of the Senate foreign relations committee, by lashing out against countries such as Iraq and Cuba and paying a visit to his North Carolina fiefdom.

But her department's effectiveness in more exotic places has been hamstrung by the huge number of top jobs that remain unfilled – and the fact that the president, in whose gift these appointments lie, seems preoccupied with other matters, such as the controversy over campaign finances.

"The president is so absorbed with his scandal strategy that he doesn't have much time for any grand international strategy," says Mr Fareed Zakaria, managing editor of Foreign Affairs, the journal of diplomacy.

Three months after Mr Clinton was reinstalled, a dozen key ambassadorships remain vacant, the State Department's main regional bureaux are waiting for new bosses, and posts at under-secretary level are only now changing hands. One reason, US officials acknowledge, is that in the current atmosphere, candidates have to be scrutinised carefully before they are presented to the Senate.

"They are certainly off to a slow start," says Mr Richard Haass, author of a forthcoming book on US foreign policy. "The delay in personnel changes is both a symptom and also a cause of this slowness."

Administration officials, in defence of their record, cite Nato expansion as an area where good progress has already been made. Last month's US-Russian summit in Finland is held up as a turning point.

"Nato expansion was 25 per cent done before Helsinki, and now it's 75 per cent done," said a senior official, reflecting confidence that the alliance can forge new ties with Russia, and open its doors to new members, by the summer.

But if there is an area where US diplomacy looks more vulnerable to the administration's domestic travails, it is the Asia-Pacific region. News that the US Justice Department is investigating possible covert action by Beijing to influence the US government, by means of political donations, has turned China policy into a red-hot domestic issue.


Pitching for Clinton: Albright has done her best to make up for a delay in filling key foreign policy posts — Reuter

"China was always a delicate, difficult and accident-prone area, and now it has become even more so," says Professor Michael Mandelbaum of the School of Advanced International Studies.

Prospects look cloudier for the administration's policy of a multi-pronged engagement with China – covering trade, security and human rights – culminating in a summit this year. Congress will ask hard questions about the trade privileges China receives as a "most-favoured nation" when these come up for renewal in June – and probably press for an even tougher line with Beijing over Hong Kong.

Asia is also the area where the lack of key personnel is most acute. The State Department is embarrassed by the lack of a successor to either Mr Walter Mondale as ambassador to Japan or Mr Winston Lord as assistant secretary for Asian affairs.

Experts differ over how badly the perception of dithering will affect either the US, or its partners. "When you bestride the world like a Colossus as America now does, perhaps you can afford to make a few mistakes without suffering too much," says Mr Zakaria. As Prof Mandelbaum notes, President Clinton has generally been capable, despite the low priority he accords to foreign affairs, of fighting international fires.

In his first term, he despatched reinforcements to Kuwait and the seas off Taiwan and nailed down a peace agreement in Bosnia, when the pressure for action became irresistible. He is now struggling, with uncertain prospects, to salvage the Middle Eastern peace process.

But even if the administration still proves capable of fire-fighting, observers in Washington – including some administration officials – see potential long-term dangers if the president finds himself stymied in foreign affairs.

As memories of the Cold War ebb, doing battle with the forces of protectionism and isolationism – a task which the administration shouldered successfully in its first term – is likely to get harder. In the words of one senior official: "This is a country where consensus on the need for international action was non-existent for 150 years, and then held together by fear of communism for another 50 years. Now the president has to build a new internationalist consensus."

Apart from Nato, senior officials foresee three litmus tests of that consensus on the horizon, all of which require congressional assent: securing "fast-track" authority for trade deals in Latin America; re-forming and re-engaging with international organisations, including the financial institutions; and limiting the damage to relations with Europe from disputes over trade with Cuba and Iran.

Even with the right personnel, none of those tasks will be easy for a president preoccupied by domestic controversy.

Republicans to table tax curb proposal

By Gerard Baker in Washington

Republicans in the US Congress will table a proposal next week that would make it all but impossible for the federal government to increase taxes.

The resolution will call for a constitutional amendment requiring a two-thirds majority in both houses of Congress before any proposal to raise taxes could be passed.

Though some Democrats will probably back the measure – symbolically timed for consideration next Tuesday, the formal deadline by which all Americans must file their annual tax returns – they are unlikely to do so in sufficient numbers to ensure that the amendment is adopted.

But the move is a significant attempt by a battered Republican party to repair its reputation as the party that favours lower taxes. It comes at a critical moment in the budget negotiations between Republican leaders and the White House. Negotiators for the congressional side are under pressure to reach a budget settlement that will balance the federal budget by 2002.

To do so they may be forced to postpone some of their more ambitious plans for tax cuts.

Leading Republicans have been weathering criticism from both inside and outside the party that the party has lost its enthusiasm for cutting taxes.

On Wednesday Mr Steve Forbes, a surprisingly strong contender for the Republican presidential nomination last year who built his campaign on promises of a flat tax, attacked Republicans in Congress for showing weaker resolve for lower taxes. He called on the Congress to stop being "cowardly lions" and legislate immediately for sweeping tax cuts.

The focus of much of the Republican discontent has been Mr Newt Gingrich, speaker of the House of Representatives. Two weeks ago, Mr Gingrich suggested that Republicans agree to a balanced budget before insisting on tax cuts.

This alarmed his colleagues and led to calls for him to step down. Since then he has sought to repair his reputation, trying this week to outflank some of the more conservative members of his party by calling for abolition of all capital gains taxes and estate taxes. But it is still unclear whether Mr Gingrich's rebirth as an enthusiastic tax cutter will prove sufficient to head off the mounting campaign against him.

Ecuador court orders arrest of Bucaram

Ecuador's Supreme Court has ordered the arrest of former President Abdala Bucaram as part of an investigation into allegations of embezzlement and nepotism, agencies report from Quito.

The ruling on Wednesday night also ordered the arrest of Mr Bucaram's former aide, Mr Marco Albuja, on the same charge.

Last month the court charged Mr Bucaram and four top aides in the alleged mishandling of more than $80m from the government's reserve fund, which is supposed to be used for security. Mr Bucaram fled into exile in Panama in February after Congress voted to remove him for "mental incapacity" after six months in power. The four aides also fled the country.

British Steel says proposals failed to meet its commercial requirements

IBM is rebuffed over IT contract

By Peter Marsh in London

British Steel yesterday delivered a public rebuff to International Business Machines by saying the US computer group's proposals for a £350m ($567m) "outsourcing" contract failed to meet its commercial requirements.

The steel company will open talks with other information technology groups – including Electronic Data Systems of the US and Cap Gemini of France – about transferring its 600-strong computing staff.

The suspension of discussions with IBM over what would have been one of the biggest IT outsourcing deals in UK industry is a blow to the US group's ambitions to expand in this rapidly growing area.

Government departments and businesses in Britain spend an estimated £1.7bn a year on contracting out IT services, and this figure is expected to climb to £4bn a year by 2000.

Defusing the "millennium bomb", the inability of many computer systems to distinguish between dates in this century and the next, will cost UK private and public sector organisations a total of £31bn ($50bn) says the head of the government organisation set up to tackle the problem, Alan Cane writes.

It is the first time the cost of the problem has been priced officially, although consultants and computing services companies have in the past made guesses at its likely cost. Most guesses have been well below the new figure, calculated by Mr Robin Guenier, head of TaskForce 2000, suggesting that the seriousness of the threat is still underestimated by both businesses and the computer industry.

Mr Guenier said yesterday that companies' estimates of the number of staff they would need to tackle the problem effectively came to a total of 300,000 – roughly the same as the number of full-time computer professionals in the UK.

British Steel said the talks had broken down because IBM was "unable to meet our basic objectives" over the details of how it would manage the proposed 10-year contract, which was to have started this year.

The news was delivered to IBM yesterday. The two companies had been talking about the contract since November, when British Steel announced an outline agreement with IBM after examining an initial shortlist of suppliers.

The contract should have started two months ago, but was held up after discussions about the details of handing over British Steel's computing work failed to make progress.

The steel company's original specification for the outsourcing deal included an obligation on IBM to guarantee that it could take full advantage of the latest IT developments and provide value for money in terms of the services being offered.

British Steel said it "still wanted to investigate" what outsourcing had to offer.

IBM said: "We and British Steel could not make an overall agreement. That is all we want to say."

The 600 people who would have been transferred to IBM in the deal are mainly in steelworks around Britain. They work in areas such as sales support, assimilation of orders and general administration.

British Gas, the Inland Revenue, Rolls-Royce, LucasVarity, British Aerospace and Airtours are among a number of big organisations which in recent years have transferred their internal computing functions to specialised information technology groups – on the basis that the outsiders can do the work more efficiently.

Siemens chief aims for rapid expansion

By Stefan Wagstyl in London

Mr Jürgen Gehrels, chief executive of the UK subsidiary of Siemens, the German engineering group, says Siemens UK is only "beginning to exploit its potential".

He forecasts turnover will grow from £1.5bn ($2.4bn) in the year to last September to more than £4bn in 2000. Mr Gehrels this week presided over Siemens' acquisition of Parsons Power Generation Systems, one of the most famous names in British engineering.

He wants Siemens UK to expand in all its main businesses, including power generation, communications, medical equipment and semiconductors. If past performance is any guide, Mr Gehrels, who has headed Siemens UK for 11 years, is well placed to achieve his targets.

Siemens was established in the UK in the mid-19th century by Sir William Siemens, shortly after his brother Werner Siemens founded the family company in Germany. The UK company grew into one of the UK's biggest before its assets were nationalised in the two world wars. When the German group re-established itself in the UK in the 1960s, it even had to buy back its name from British owners.

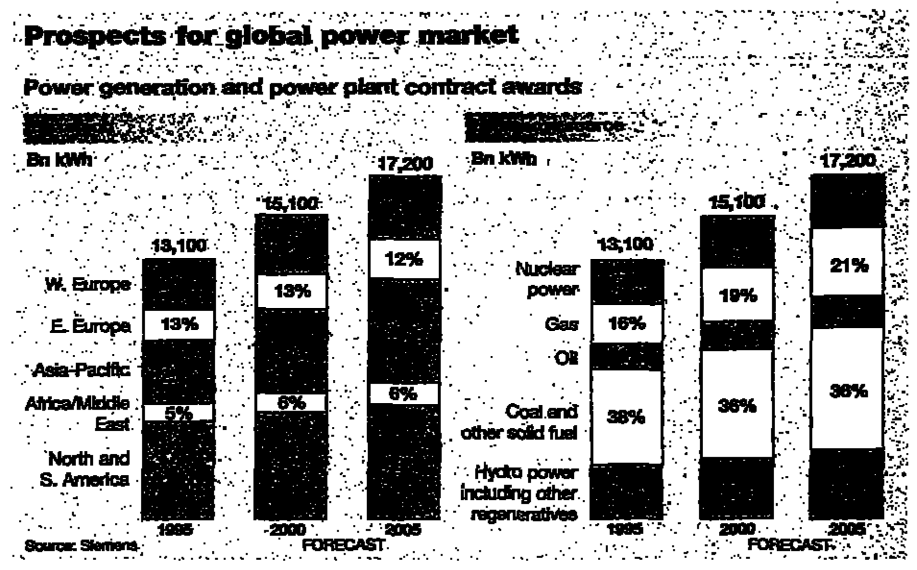
The company's recent growth dates back to the mid 1980s, when Siemens committed itself to international expansion in response to the pressures of globalisation. Mr Gehrels arrived in April 1986 intending to stay for three years; he has remained in Britain ever since.

When Mr Gehrels took control, Siemens had a British turnover of about £200m, mainly in selling German-made equipment. He has transformed this into a diversified group with 13 factories and a range of service, distribution and research centres – together employing more than 11,000. At £133m last year, Siemens' research and development spending was the 12th highest of any UK company.

Mr Gehrels says that internally-generated growth has played a big role, with Siemens taking advantage of its technological edge, for example, in factory automation. But acquisitions have been equally important, notably in the 1989 £2bn joint purchase with GEC of Plessey, the electronics group. The deal was followed by a complex division of assets between the partners, which has still not been completed. By comparison, the £30m purchase of Parsons from Rolls-Royce is a useful but modest addition to the portfolio.

Siemens is currently in the throes of a worldwide streamlining, selling businesses which it believes are too small to be market leaders. Of particular interest to the UK is a recent decision to dispose of the defence operations, 60 per cent of which are in former Plessey companies.

Siemens would also like to reorganise another key ex-Plessey business – GPT, one of the UK's biggest telecommunications equipment makers. Although Siemens owns only 40 per cent of GPT against GEC's 60 per cent, it would like to buy the rest of this highly profitable company.



Nation fourth in no-strike league

By Robert Taylor, Employment Editor

The UK has one of the lowest rates of labour strikes of any western industrial country, the government's Department for Education and Employment said yesterday. 1995 figures showed that only Austria, Switzerland and Germany had better records.

It is the first time the UK has been so high among countries with the lowest industrial conflict statistics since figures were first compiled over 30 years ago.

The UK strike figures – defined as the number of working days lost because of labour disputes per thousand workers – have been below the average for industrialised economies in the Organisation for Economic Co-operation and Development since 1990 and less than the European Union average since 1986.

In 1995, 19 working days were lost per 1,000 employees, compared with none in Austria and 8 in Germany.

The highest strike figures were in Turkey (599 working days), followed by Finland (515), France (302) and Greece (219).

During the 1990s the UK has experienced a sharp decline in industrial conflict. Between 1990 and 1995, the number of working days lost because of disputes fell 87 per cent in the production and construction sectors and 79 per cent in the service sector.

The figures exclude disputes that involve fewer than 10 workers or last less than a dayunless the aggregate number of days lost exceeds 100. Other countries compile their figures differently. Since 1981 the US has included only disputes that involve more than 1,000 workers – previously the threshold was 6 workers – bringing a 30-40 per cent drop in the number of working days lost.

Election campaign, Page 10

UK NEWS DIGEST

BCCI court action extended

The liquidator of Bank of Credit and Commerce International, closed by banking regulators in 1991, is seeking to recover more than £6.7m ($10.8m) from five former employees, several of their relatives and two Liechtenstein companies.

Mareva injunctions freezing the worldwide assets of Mr Naseim Ahmed Sarfaraz Khan, loans officer in the bank's London-based affiliated co-ordination unit, and 11 other defendants were extended this week in the High Court in London. Four of the other 11 also worked in the unit, which handled the loan book for BCCI (Overseas), a Cayman Islands company.

The writ by Deloitte & Touche, on behalf of BCCI (Overseas) and BCCI SA, based in Luxembourg, was issued last month. It claims Mr Sarfaraz Khan "caused, procured and assisted in the misapplication" of the bank's funds in connection with the purchase of seven properties in England. The writ also claims that Mr Sarfaraz Khan was responsible for payments to himself, his brothers, a company controlled by his uncle, two cousins, and the two Liechtenstein companies. Mr Sarfaraz Khan and his brothers are claiming privilege against providing incriminating information, the court was told. *Clay Harris*

■ THE BARINGS COLLAPSE

Bondholders expected to settle

Holders of bonds in the former merchant banking group Barings, which collapsed two years ago under £830m ($1.3bn) of losses amassed by Mr Nick Leeson, a trader in Singapore, are expected to agree a settlement of about £150m this month. The holders of three categories of debt capital in Barings plc, a former holding company for Barings' operations that is now in liquidation, are being offered compensation from the company's assets and other contributions.

The contributions are thought to include payments from the brokers involved in issuing capital, as well as the auditors to Barings. Former directors of Barings are also thought likely to contribute. Holders of a $150m floating rate note issued in 1994 are likely to receive repayment of close to the full amount, while those holding a $150m floating rate note issued in 1986 may get back about half the amount they invested.

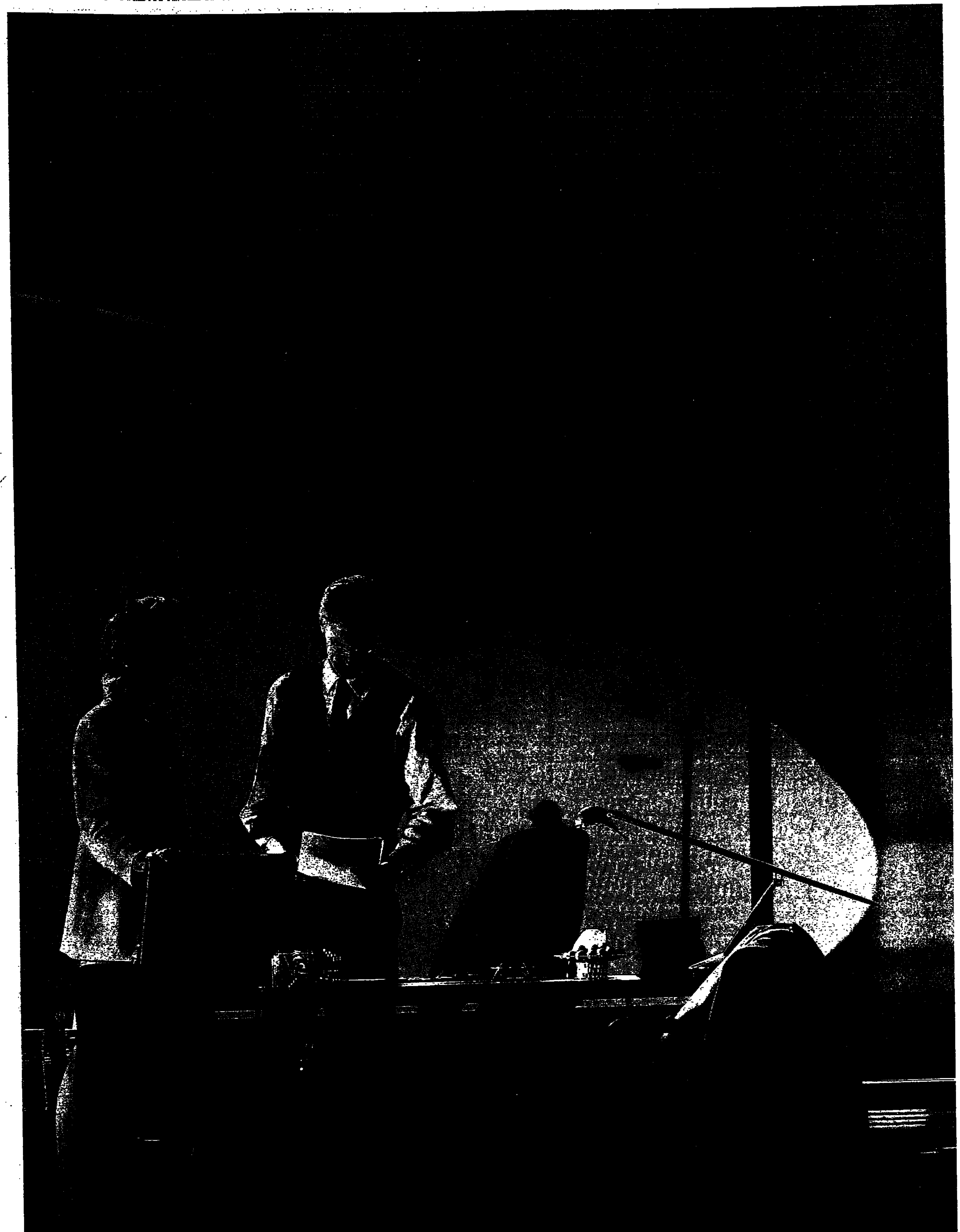
Holders of £100m of perpetual bonds issued in 1994 may recover only about a quarter of their investment. Investors that held preference shares in Barings are not likely to receive any payment, and all equity has been wiped out. *John Gapper*

■ NORTHERN IRELAND

Policewoman shot in the chest

A policewoman was shot in the chest yesterday near the centre of Londonderry, the second-biggest city in Northern Ireland. She was on duty near the city's courthouse and was said later to be "serious but stable" in hospital. The officer is married with three children.

Ms Eithne Fitzgerald, minister of state to Mr Dick Spring, the deputy prime minister of the Republic of Ireland, said: "They are in the middle of an election in Northern Ireland now, and all of us want to see an election conducted via the ballot box and not through the bullet and the bomb. Any human being shot or injured is horrific; a war on women is a war of cowards."



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Minister warns of pensions threat from Labour tax plans

Survey counters evidence of Conservative recovery

By Our Political Staff

Recent indications that the Conservatives are making up ground against Labour in the opinion polls are countered by a survey conducted by the Financial Times and FCB, a leading advertising agency.

The survey among wavering voters in three marginal constituencies indicates that support is hardening for Labour in this crucial group, and that the Conservatives, victors in the past four general elections, are failing to capitalise on issues on which they should be appealing to the electorate.

The survey – carried out this week – shows that around half of the panel of voters have now firmly decided how to vote. Of these, about two-thirds will back Labour; a fifth will support the Conservatives.

Lastest results also show that the Conservatives are failing to capitalise on three strong campaigning issues identified in an FT/FCB survey two months ago. These are the perception that Labour is an "empty vessel" with few clear policies; that the public would back a stronger line against European integration; and that the Conservatives are perceived as better managers tof the economy than Labour.

The survey is based on discussions with 72 focus group members screened from an initial base of 1,000.

The general election campaign

● Tax raising by a Labour government would pose a threefold threat to the value of pensions, Mr Peter Lilley, social security secretary, claimed in an attack on Labour's pensions policy yesterday. Mr Lilley said that party's manifesto pledge to review corporate taxation with the aim of using it to promote long-term investment posed a clear threat.

He pointed to analysts' claims that the review could lead to a cut in, or the abolition of, advance corporation tax credits for non tax-payers such as pension funds. Abolition, which would also hit personal equity plans, could cost funds £2.4bn ($3.8bn) a year, he said.

Mr Lilley said that Labour's proposed windfall tax would also affect the value of pension funds' holdings in the privatised utilities. He added that Labour might also restrict tax relief on pension contributions to the basic rate to raise funds.

All three moves, he said, amounted to a policy of "new Labour, lower pensions". However, Mr Lilley refused to guarantee that the Conservatives would not themselves alter credits, which they cut by 5 per cent in 1993.

Meanwhile, a survey published yesterday by Alexander Clay, an employee benefits consultancy, suggests that two-thirds of employers back the introduction of compulsory pension contributions paid by both employers and employees.

Eight out of 10 companies rejected the idea, floated by the Labour party that big, low-cost, industry-wide schemes should be set up to provide benefits for some employees. Alexander Clay said the respondents feared greater trade union involvement and loss of control of pension provision.

Mr Tony Blair, the Labour party leader, said yesterday that he would rebuff any trade union or other interest group that tried to bully a Labour government. "We changed the Labour party, changed the way our members of parliament are elected, changed our relationship with the trade unions," he said in a BBC radio interview. "We have changed our policy-making. We have doubled our membership. We have rewritten our basic constitution. Why? To make a new Labour party that is true to its principles and values and is going to resist pressure from them or anybody else."

Philip Stephens, Page 14

Editorial comment, Page 15
Lex, Page 16

■ IN THE FRAY

Glenda Jackson

The Oscar winning former star of such films as *Women in Love* and *A Touch of Class* is defending a slender Labour majority in the fashionable London district of Hampstead. Ms Jackson, who will be 61 a week after polling day, won Hampstead in the 1992 election and is tipped for a ministerial post in a Labour government after serving as number two in the the party's transport team in the last parliament. Ms Jackson has welcomed the fact that four of her five opponents in Hampstead are women. "It's scandalous that more than 60 years after all women got the vote, women MPs still represent only 10 per cent of the House of Commons."

■ SIDELINED

Winston Churchill

After 27 years as a Conservative MP, Winston Churchill faces the prospect of leaving the House of Commons because his constituency in north-west England has been eliminated by boundary changes. Like his grandfather, the wartime prime minister, Mr Churchill has worked as a journalist and author. Unlike his famous forebear, he has never held a senior post in a Conservative government although he held a junior post at the Foreign Office in the early 1970s administration led by Sir Edward Heath. His parents were the late Randolph Churchill and Pamela Harriman, the English-born former US ambassador to France and fundraiser for the Democrats who died in February.

Lack of skills hits clothing industry

Jenny Luesby in London

An acute shortage of skills is holding back the UK clothing industry and forcing up wages, according to recruiters.

Companies and headhunters say jobs commanding salaries of £15,000 to £20,000 until two years ago are now fetching £25,000 to £30,000.

"And even at this level, we are not filling posts," says Mr Brian Ross, managing director of Menswear & Womenswear, one of the largest recruitment companies in the sector.

"There is a surfeit of jobs in technical and specialised areas," Mr Ross says. This has led to poaching between companies and rising pay offers from employers in an effort to retain staff.

"Where a few years ago we only used direct approach methods for executives earning more than £80,000, we are now getting involved in searches for staff on less than £30,000. Advertising just does not work," he says.

Mrs Vanessa Denza, managing director of recruitment consultants Denza International, cites one large company's recent experience with an advertisement for a merchandiser. It got three applicants, compared with 250 applicants for a design job advertised at the same time.

It is at this level of middle management, and in technical support jobs, that the biggest problems arise.

This is due, in part, to a narrower pool from which to promote. "It is a case of feast or famine," says Mr Peter Booth, national secretary of the textiles division of the Transport and General Workers' Union. "So much labour has been shed over the last few years: now there is an upturn in order books and these people have been lost to the industry."

But it also reflects reforms in Britain's education system, says Mrs Denza, who claims there has been "a steady unravelling of strong teaching in this area".

Greens blame voting system for lack of representation

The party has never come close to winning a seat in the House of Commons, says Liam Halligan

Fourteen parliaments and three governments in mainland Europe have Green represenatives, but the Green party in the UK has never come close in its 23-year history to winning a seat in the House of Commons.

"It's our voting system," said Mr Peter Barnett, a member of the UK Green national executive. "Until there is proportional representation, we are unlikely to reach Westminster."

Britain's first-past-the-post system penalises small parties such as the Greens because seats are awarded when candidates win constituency contests outright, rather than in proportion to votes cast nationally.

And because UK members of the European Parliament are elected on a similar basis, none of the 29 Greens sitting in Strasbourg are British. "It's completely unjust we are not represented there," says Mr Barnett.

With no representation, the Greens have to rely on the system of private members' ballots, which allows parliamentarians to adopt draft legislation created by outside pressure groups.

"When we write a bill, such as the recently passed road traffic reduction act, the Liberal Democrats steal it and do little to publicly acknowledge us," says Mr David Taylor, the Greens' "principal speaker" (the party has no leader).

The Liberal Democrats, who had 26 MPs in the last parliament, are the third-biggest party in the UK. Their manifesto, published last week, was described by Friends of the Earth, the environmental pressure group, as the "greenest" ever issued by a main political party.

When the Green party launched its manifesto a week earlier, it barely had a mention in the media even though some of its policies were relatively close to those of the bigger parties. "We have to levy taxes to reflect the environmental cost of particular activities," says Ms Miriam Kennet, another national executive member. This is a view well within the boundaries of conventional policy thinking.

But the British Greens are at a particularly low ebb, fielding only 90 candidates at the general election compared with 225 in 1992. There are more than 600 voing districts. Membership has dropped from 20,000 in the halcyon days of 1989 – when the party won 15 per cent of the vote in European elections, but still gained no seats – to about 5,000 today.

"After 1989, we have had real trouble convincing people that a vote for the Greens is not wasted," says Mr Barnett. Moreover, money problems loom large: with no national politicians, the party lacks the national funding of its European affiliates.

But because the popularity of Green politics everywhere tends to be cyclical – with voters becoming "greener" as they become richer – Britain's economic upswing could provide hope. And with the Labour party front-runner in the election opinion polls – and promising a national referendum on proportional representation – Britain's Greens have at least some hope of change which could lead to their rejuvenation.

More election news at the FT website http://www.FT.com

'Wasteful consumer aspirations'

Extracts from Green party policies

■ **Industry:** Competition and inequality now characterise modern industry. The race for riches has fuelled the growth in consumption. Global marketing reflects and promotes wasteful consumer aspirations which cannot be met sustainably . . . The funding of projects has become dominated by the potential short-term monetary return. Banking practice and the preoccupation with short-term profits now displace wider considerations.

■ **Europe:** The Green party favours continued membership of the EU while seeking reform from within, but opposes Britain's membership continuing in the long term if the EU is not reconstituted on sound ecological principles.

■ **Defence:** It must be clearly and unambiguously defensive, so clearly that this defensive intention is obvious to other nations as well as ourselves. This will reduce the fear which leads people to accept the arms race.

THE PROPERTY MARKET

Building on history

St Petersburg is recovering its poise, says John Thornhill

Ever since it was founded by Tsar Peter the Great in 1703, St Petersburg has scrapped with Moscow for power and privilege.

During its two centuries as the Russian Imperial capital, St Petersburg blossomed into one of Europe's richest and most beautiful cities.

But Russia's capital moved back to Moscow following the Bolshevik revolution of 1917, and the ancient Slavic city has been lording it over its northern rival ever since. The embrace of capitalism has only reinforced Moscow's pre-eminence as the centre of financial and political power.

There are some tentative signs, though, that Russia's "northern capital" is beginning to recover its purpose and poise, reflected by the first glimmerings of activity in the property market. A clutch of new office development projects is due to open over the next 12 months to meet the demands of foreign companies and richer Russian businesses.

If successful, these projects could stimulate a wave of new building and urban refurbishment as developers start moving in force into one of Europe's biggest cities and perhaps its last great untapped property market.

The most high-profile project is Nevsky 25, a 10,000 sq m office and retail development, which has been dogged by delays but is due to open this summer.

On the Nevsky Prospekt, the building will be the first in St Petersburg to offer tenants top quality space meeting the highest international standards.

With an on-site property management team, the latest air-conditioning, heating and security systems, and modern telecommunications, Nevsky 25 expects to attract top-notch tenants. With base rents of $700 to $800 per sq m, Nevsky 25 is expensive by any standards – except those of Moscow, where office rents topping $1,000 per sq m are not uncommon.

Mr Robert Pacult, marketing manager for Golub Europe, the chief project developer, says the redevelopment of Nevsky 25 and the construction of a six-storey retail and office site within its historic shell will cost $30m. Part of the financing has been provided by the European Bank for Reconstruction and Development and the Overseas Private Investment Corporation of the US.

"Everybody is looking to see how our building does. If it goes well then you will see a lot more development of high-quality projects," he says.

In the immediate aftermath of the collapse of the Soviet Union in 1991, St Petersburg was eclipsed by Moscow, which proved far more adept at attracting the bulk of the country's banks and foreign investors. But some big foreign consumer products companies are beginning to establish their presence in St Petersburg to satisfy a potential market of 5m consumers. Coca-Cola has already built a drinks plant on the edge of town and Wrigley's and Gillette are set to follow.

Scandinavian companies, in particular, have been active in the St Petersburg market and the long-awaited development of the city's port should bring much new business. Western companies, such as accountants, lawyers and consultants, are also establishing sizeable branch offices.

"St Petersburg is developing into a very important regional centre," says Mr Jeremy Cordery, local marketing manager for Morrison, the UK-based property developer.

Morrison is building 7,500 sq m of office space by redeveloping White Nights House, opposite the Astoria hotel, at a cost of almost $20m. It is also planning to develop a 169-room hotel in a prime location off Ostrovsky Square.

The company eventually aims to sell its developments to institutional investors, which will help establish benchmark prices for the investment market. The possibility that investors can buy land in St Petersburg, which is not the case in most other Russian cities, will also count in its favour in future. At present, a 49-year lease is considered a long enough timescale for most developers.

Mr Cordery argues that, despite the inevitable frustrations of operating in an entirely new market, there are advantages to be gained from establishing a presence early on. "I think we have established a very strong base for future growth in a potentially excellent market," he says.

Other pioneering developers in the St Petersburg market include Skanska, the Swedish group, which is developing 4,000 sq m of office space in the Sweden House, and Zadelhoff, the German property agency, which has already opened a 2,200 sq m office development at Italianskaya 5.

Apart from the big developments, there is also a growing amount of activity by both Russian and foreign companies in upgrading existing office space owned by the city government or various state institutions. The rapid fall in Russian interest rates is expected to make this a particularly attractive speciality for local property companies.

HIB, a small entrepreneurial developer, is aiming to satisfy the middle market by refurbishing existing city centre properties to an acceptable standard with a rental cost of less than $400 a sq m.

"This market is a little skinny at the moment," says Mr Mark Magnum, managing director of HIB St Petersburg. "There are a lot of low-cost, low-quality offices and there will be a lot of high-quality, high-cost product on the market, but there is not a lot in between."

One complexity is that St Petersburg was built on a swamp, resulting in thick-walled buildings. "The barrier walls can be a metre thick," says Mr Magnum. "St Petersburg may crumble but it will never collapse."

Offices in St Petersburg: rich potential

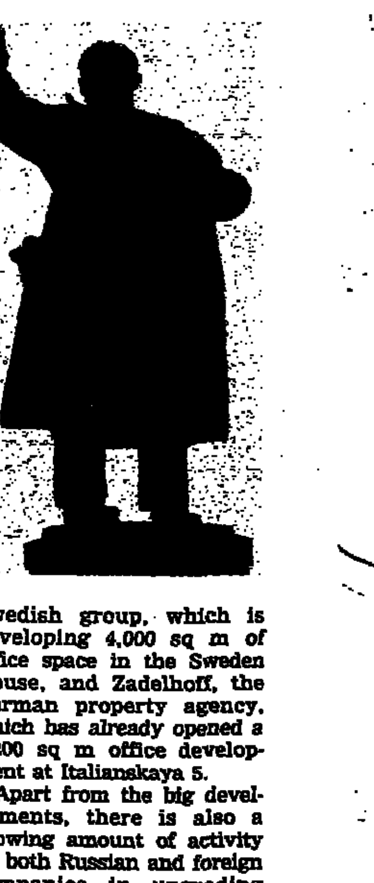
Available now

Property	Total (sq m)	Occupancy (sq m)	Available (sq m)	Price ($/sq m/ per year)
Europa House	10,000	8,500	1,500	450
Italianskaya 5	2,200	1,902	298	700
Nevsky 30	2,800	2,100	700	[illegible]
Total from all available sites	58,014	39,125	18,889	

Available in the future

Property	Total (sq m)	Occupancy (sq m)	Available (sq m)	Price ($/sq m/ per year)
Nevsky 25	5,400	0	5,400	750
Sweden House	4,000	1,000	3,000	670
Total	9,400	1,000	8,400	

Source: DTZ Debenham Zadelhoff



MANAGEMENT

Challenge French corporate hierarchies at your peril, warns **Andrew Jack**

Caste in stone

When an American manager appointed to head his group's French subsidiary invited all his colleagues to a Sunday housewarming party, he was delighted that everyone showed up and returned his friendly smiles.

What he did not see was the agony of his guests – who felt obliged to attend – desperately trying to avoid their superiors and inferiors in the corporate hierarchy with whom they would never exchange a word at the office. Nor did he see their embarrassment at having their private lives exposed and their spouses put on show.

"There is a total separation of business and private life in France," says Michael Johnson, a journalist-turned-manager whose experiences working for a Gallic enterprise rapidly shattered the romantic view of Paris he had cherished as a tourist and an expatriate observer.*

The activities of two French utility, construction and communications companies – Lyonnaise des Eaux acquired Northumbrian Water last year and Générale des Eaux was awarded two UK rail franchises – highlight the growing influence of French business in other countries. Yet surprisingly little has been written about their distinctive management style.

Jean-Louis Barsoux, a researcher at Insead, the French business school, says: "It is dangerous to generalise, but you hear these things so often that there has to be some truth in them." He says being a manager brings a social as well as a professional status in France, and those at the top normally acquire their position after graduating from one of the country's *"grandes ecoles"* – a broadly meritocratic system which produces intelligent, numerate and often cultured individuals.

From early in their careers, these individuals switch between the public and private sectors, building experience and strong relations and friendships which serve them and preserve their power in future.

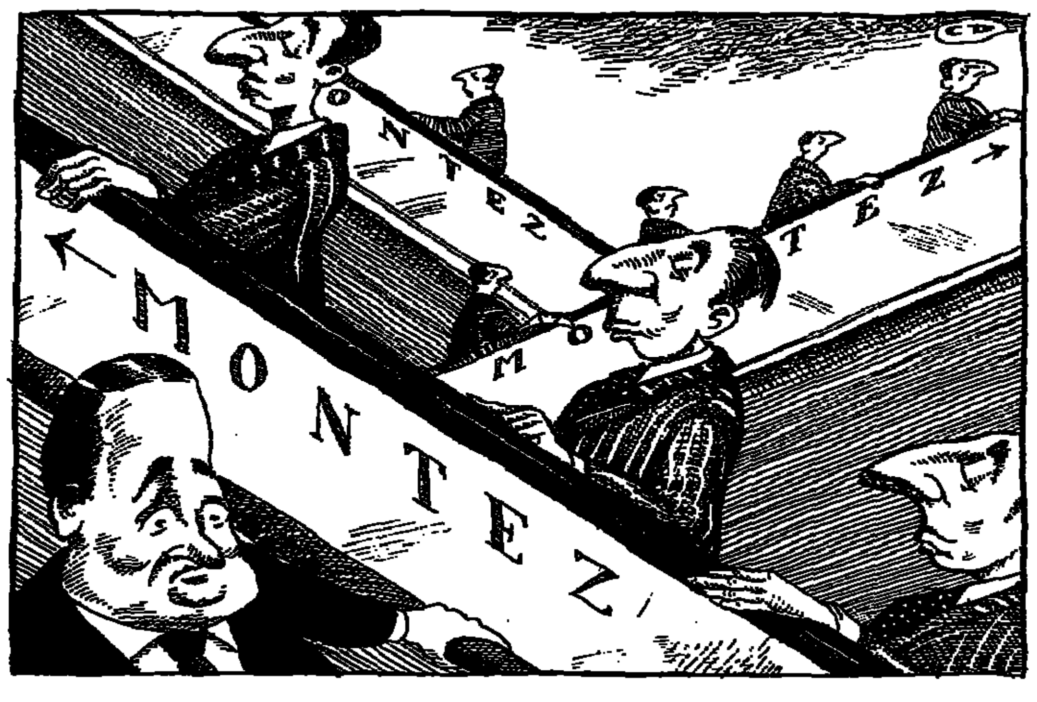
There is an even bigger distinction between those classified as managers or "cadres" in a company – with specific legal rights and entitlements – and other employees, whose prospects are more restricted, who stand little chance of becoming cadres and reaching the upper echelons, and who may become demotivated and resentful.

The assumption is that the best individuals in business are those in charge, and that everyone beneath them has their rightful place in the hierarchy.

This helps to explain why consulting firms are less developed in France than elsewhere. "Consultants have had a ball in Britain, where management has been relatively unprofessional and not very system-driven," says Peter Lawrence of Loughborough University in the UK and co-author with Barsoux of a book on French management culture.** "French executives tend to be dismissive, considering them as thickos trying to sell them gross simplifications."

The fact that a French approach to business exists – and is distinct from those operating elsewhere – need not be a problem in itself, even if it is curious and frustrating for a foreigner thrown in from the outside.

Indeed, it has served the French and their national economy very well in the past. It was particularly well adapted to the rapid reconstruction after the second world war, and to companies specialising in the industrial and technological sectors which its education system nurtures.



The difficulty is that giving preference to brain power, theoretical reasoning and technical ability can exclude other managerial qualities, such as motivating staff and responding to uncertainty. This is typified by the French joke about a sceptical civil servant who, presented with an idea, says: "That's fine in practice, but it'll never work in theory."

A company with a rigid hierarchy based on educational qualifications risks squandering late developers who did not go to the right university. It also creates a workplace in which staff in the lower ranks react with what Barsoux calls "impersonal contractualism": taking refuge in a dogmatic interpretation of rules, procedures and written instructions rather than attempting to be innovative and flexible to changing circumstances.

Given the growing importance of the service sector, in which such qualities are ever more necessary, that could pose serious challenges for the future. "There are a handful of very successful international French companies," says Johnson. "But they tend to be those which are far more open. What you don't see is the long tail of depressed companies which are not reaching their full potential and are increasingly doomed."

Growing numbers of French companies are being exposed to different rules and organisational cultures – through takeovers and mergers, expansion into foreign markets, or EU regulations; and more individuals than ever have been educated or have worked in other countries.

Johnson points out that a distinctively Gallic approach to business is being undermined, if only because what he calls the "French corridor" is so narrow. "The French language is very constrictive in a world – especially in business – which wants to speak English," he says.

Barsoux is not so sure that the French way of doing things is on its way out. He concludes in his updated book on French management, to be published this year, that the different possible ways in which the business world may develop, and the French genius for exploiting them, should not be underestimated.

**French Resistance. Michael Johnson. Cassell, £14.95.*

***Management in France. Jean-Louis Barsoux and Peter Lawrence. Cassell.*

New wave of thinking on teamwork

Managers have learnt valuable lessons from a yacht race, say **Keith Wheatley** and **Richard Donkin**

Senior managers who have joined the crews of one of the world's toughest yacht races are discovering new management and business insights.

Alan Rudge, deputy chief executive of British Telecommunications, competed in the Wellington to Sydney leg of the BT Global Challenge, a round-the-world yacht race pitting 14 amateur crews against the elements and each other.

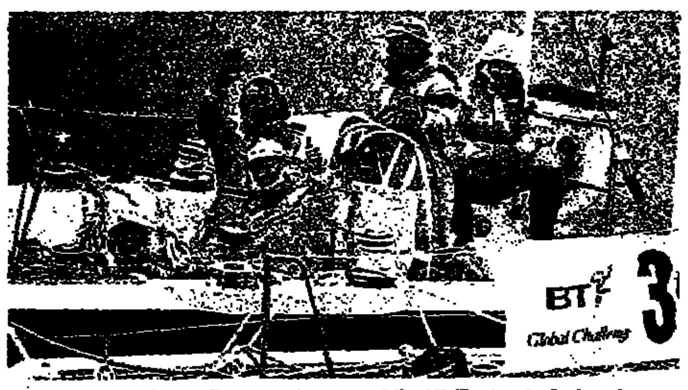
Among the full-time competitors still with the race is Humphrey Walters, chief executive of MaST, an international training company. While Rudge and Walters both joined the race for different reasons both say they have learnt important lessons from their experience.

For Walters, crewing the yacht Ocean Rover has led to a fundamental rethink of his approach to training. Firing off memos to his company from the boat, he has started changing training programmes and internal procedures. Six tests in widespread use throughout the company have been abandoned. "I've said we should drop them because we now have better evidence of things that work," he says.

"For me it's a business venture, not a jolly round the world," says Walters. "Most case studies of team building and management development are very short. This is a 10-month intensive case study of all things you need in working life. The difference is that in business you go home at the end of the day.

"It's a far more strict chain of command on board than in business, because it's a more hostile environment at sea. The risks and the downside are too great to screw up. Yet there is no blame culture on the boat. We blew a spinnaker and the conversation about why it happened was 30 seconds.

"In business it's very different. You spend hours, days, analysing what went wrong and who's to blame."



Close quarters: Ocean Rover at the start of the Wellington to Sydney leg

Walters sends back a monthly newsletter to MaST clients. "The response was so good that clients of clients have been phoning us up and asking for copies," he says. "It's more about the team-building and management experience than about sailing."

Alan Rudge, who first introduced the concept of using sailing as a business tool at BT, both for its team-building qualities and as a means of promoting the company, made similar discoveries when he joined the crew of the yacht Global Teamwork.

"I thought about it beforehand as a management problem. I decided first of all to keep a very low profile. I certainly didn't want my position at BT to get in the way. I volunteered for all the dirty jobs. I cleaned the heads [toilets] and did the washing up before we got going. I wanted to signal that I was willing to be part of the team and wasn't going to be stand-offish," he says.

"I tried not to be demanding. It's bloody difficult for arrogant bastards like us but I just shut up and did as I was told. I made a conscious effort not to be pushy and not to make suggestions."

Taking a back seat was doubly difficult for Rudge because he is an accomplished sailor in his own right, having competed three times in the Fastnet race, but he knew that a powerful bond already existed within the core crew which had already endured the gruelling voyages across the Atlantic and the Southern Ocean.

Rudge says he found that the greatest motivator at sea was the fear of letting down his crewmates. "It is probably the biggest pressure of all. It is not stretching it to say your life is in their hands and their's is in your's."

The sailing ethos now seems firmly entrenched at BT. "Taking people out for a day on a sailing boat as a way of getting to know them, we have found, has proved invaluable," says Rudge.

Walters says he has learned lessons for his own benefit. "Things I take for granted I'm not going to assume that others do," he says.

"I probably won't do anything blindingly new, but what I will do is re-shuffle and re-invigorate aspects of the way my business and I work."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ARTS

Matters of life and death

Nicholas Wroe talks to the American poet and undertaker Thomas Lynch

It is an economic necessity for most poets to have a day job and Thomas Lynch is no exception. However, to the obvious glee of his publisher, Lynch's daily grind is not in the bank or even the latter day hum-drum of the university campus. Lynch earns a living by burying "a couple of hundred of his fellow townspeople each year". He is the local undertaker, as was his father before him, to the small community of Milford, Michigan.

In an inspired synthesis of his apparently disparate trades – although what self-respecting poet does not keep a professional eye on questions of mortality? Lynch this week publishes *The Undertaking* (Cape, £9.99) a stunning collection of essays which puts flesh on his conclusion after half a century of living around funeral parlours that, "undertaking is less to do with what is done to the dead, and more to do with what the living do about the fact of life that people died."

Speaking to him he appears the epitome of mid-western solidity. In a white cheesecloth shirt buttoned to the neck and baggy blue jeans pulled high over the waist he wouldn't be out of place with a pitchfork in Grant Wood's painting "American Gothic". But just like his book, there is more to Lynch than a simple integrity. This staid pillar of the community regularly surfs the Internet and while he is a long-standing Rotarian he is also, and again following dad, a long standing member of Alcoholics Anonymous.

The Undertaking's unclassifiable combining of personal histories, pathology and hard-earned wisdom is mixed with a delicately illuminating poetic insight. It is both serious – how can the brutal murder of children not be – and wryly humorous. His facility for showing both respect and professional realpolitik is seen in his reaction to his publisher delivering coffins around London – for bookshop window displays – in a hearse. "Well", he smiles, "coffins do fit nicely in hearses". He remains bewildered that people are scared of dead bodies. "Believe me", he says, "no dead body can scare you as much as some living ones. A dead body is safe".

And he should know. In *The Undertaking* we read about the way he has "dressed and casketted" both his father and grandfather – "I know what I'll look like dead" – as well as an octogenarian aunt who died in the same room in which she was born. We also hear of the child killed by a stone hitting her car and the reconstruction of a girl's face after she had been raped, strangled and bludgeoned with a baseball bat, Lynch's work serving to "retrieve" the girl from the madman's frenzy.

There are passages in *The Undertaking* that beguilingly conjure an idyllic small town American way of life, but there is also death and bereavement as there always has been. Likewise suicide, but with the advent of Dr Jack Kevorkian and his promotion of assisted suicide, Lynch feels compelled to speak out.

"I wanted to be on record because it happens in our neighbourhood. Having the right to die sounds beautiful, but we've always had that right. What he's doing is all together different and while I don't believe there's a right answer, I do believe we can debate it better than we do now. We can tell how badly it might go by looking at abortion, another issue about which there is no right answer. As soon as the law became involved it left no room for anything but extreme views.

"Sure we can all agree when some poor suffering soul is within hours of death and we all know what to do in that case – doctors have been acting in those cases for a long time – which is different from Kevorkian declaring a constitutional right to assistance. I'm trying to de-romanticise this thing because I see the bodies in the back of the van. I see somebody who may have tried suicide several times and for reasons known or unknown didn't accomplish it. I say that's natural. We've shied away from saying things are just plain wrong. We say they are illegal or impractical or dysfunctional. But sometimes we should say 'that's wrong' even if it's not illegal".

But no matter how they die, Lynch & Son will bury them and take pride in doing so. Although he acknowledges Jessica Mitford's role in raising the issue in her book *The American Way of Death*, he strongly contends that "because we don't like the idea of funeral directors making money, or some of the crass things that are done, doesn't mean we should do away with funerals. It means we should do away with those things and take back to ourselves that which is most meaningful. We have done ourselves a disservice by saying funerals are uncomfortable so let's not have any. In the end we'll spend as much on shrinks or bar bills. While we outnumber the dead at a funeral, all of us are outnumbered by the dead before us, and how we fit that into our lives is important." And, as he sensibly concludes, "When someone died they never called Jessica Mitford. They called me."

Thomas Lynch: questions of mortality Robert Turney

Theatre

Cut off from reality

Under what circumstances do we change our lives? The eight main characters of *Halloween Night* – a new play by Declan Hughes currently being presented at the Donmar Warehouse by the usually enterprising Irish company Rough Magic – are at a low ebb in their not-very-collective lives. They gather for a Halloween party at the house of their friend George, only to hear the news that he has just died of Aids. Since, however, he wanted them to party, they do so: whereupon hope, love, co-operation promptly re-enter their lives. But was the news true? When something happens to make them suspect George is not dead, their new starts all turn into dead ends. That is not, mind you, the last twist in the plot...

On the one hand, *Halloween Night* is a real play, with suspense and variety and emotion. Everything about it is professional, entertaining, competent. On the other hand, it is merely a play, full of contrivance. It reminds me of an Agatha Christie: the eight characters all gathering on Halloween Night even find the tide outside has risen and cut them off from the mainland, and they eventually hit on a rational explanation for the spooky things that happen in George's house. It reminds me also of the corniest trick in *An Inspector Calls*: having learnt to reform their lives one way, it only takes another plot contrivance (was the inspector a real inspector?) for the eight characters to unlearn everything top-speed and to turn their hopes into Bedlam. It reminds me also of several other plays, all of them melodramatic. But it seldom reminds me of life.

It is up-to-date, mind you. One of the four marooned couples is gay. Aids, coming out, male prostitution, marital infidelity, drugs, pregnancy: all these are issues here. Though the actors and their roles are all Irish, neither Ireland nor politics are issues. (Which comes as something of a relief to this theatregoer, but never mind.) The characters start to compare their plight to "The Raft of the Medusa" (very Julian Barnes). Géricault's huge painting is reproduced, virtually at actual scale, on one wall of the set; and at the play's most melodramatic climax ("Here come the *waves*!") seven of the characters climb onto the table in a picturesque tableau that reproduces Géricault's very neatly. (Too contrived by half, all this.)

Halloween Night is not boring. It has some good jokes, and I like the fact that Hughes so structures his plot that one couple (the gay couple, actually) only find hope and commitment at the point when the others are all splitting apart. The cast, directed by Lynne Parker, handle the highs and lows of their situation with tact and effectiveness. Still, you have to be pretty silly to be seriously manipulated by this artificial, polished, taradiddle.

Alastair Macaulay

Pom Boyd and Paul Hickey in Rough Magic's 'Halloween Night' Alastair Muir

Opera in Paris/**Richard Fairman**

In search of the spirit of Parsifal

As the Royal Opera House prepares for its two-and-a-half year year closure there is a temptation to look across the Channel with a degree of envy. People may not like Mitterrand's grand opera-house at the Bastille, but at least the French have built it, and it works.

There is a full season of productions, and audiences are healthy. The problem area remains the acoustics, which can be unhelpful (and to install an optional electronic sound-system is not the answer). For audience comfort there are probably few opera-houses in the world where one would rather sit through four-and-a-half hours of Wagner's epic *Parsifal*.

The experience of seeing this most awe-inspiring of the composer's music dramas in the theatre is rarely as uplifting as one might hope. Producers today tend to find its complex web of religious and mythical allusions harder to untangle than they do the politics of the *Ring* or the straightforward human dramas of *Tristan und Isolde* and *Die Meistersinger*. In Paris, the British producer Graham Vick applied his cool intelligence to the task with predictably clear-headed results, but the spirit of *Parsifal* eluded him, as it has so many.

This production worked best when it simply kept its mind on the story and put the events and characters in their place without directorial interference. The sparse sets by Paul Brown – just a solitary tree on a white stage – were clearly a pointer towards the same streamlined style that has served Vick well in the past, but somehow there are so many acres of *Parsifal* waiting for the producer to fill them in.

Having retained all of Wagner's symbols without comment, Vick added more of his own: a symbolic rock which descended portentously from the flies and a camp quartet of angels with rainbow wings. Instead of being fired by passion in the second act, the singers were slowly rotated on the stage revolve, like steaks warming on a spit. And Vick let us down at the opera's big moments: the transformation scene became a sheet pulled along a washing-line and the *coup de théâtre* when Parsifal miraculously catches the spear dissolved into laughter, as one of the angels picked it up and minced across the stage with it.

If that reads like a catalogue of errors, it has to be said that they were no worse than in other recent productions; and in his handling of the soloists and chorus, Vick was more adept than most. He had worked out a convincing split personality for Kundry with his singer, Kathryn Harries, and it was a shame that her always wayward soprano failed to carry more strongly in the Bastille. Thomas Moser sang the title-role with very special musicianship, but did not progress beyond making Parsifal the ordinary guy-next-door. Wolfgang Schöne was a coarse Amfortas and Jan-Hendrik Rootering sang an impressively strong Gurnemanz, while looking restless at not being able to play a man of action.

In sum, this might not have added up to a very distinctive *Parsifal*. But Armin Jordan and the Orchestre de l'Opéra National de Paris matched the production's mood and pace tellingly. This was by some way the fastest performance of the opera I have witnessed, outlining the essence of the score with streamlined simplicity. Much of it in retrospect was rather bland, but thanks to some high-quality playing there was a luminous beauty and warmth to the music that lifted the evening on to a higher plane. These days, France's number one orchestra is to be found in the pit at the Bastille.

Ballet/**Clement Crisp**

Two Annas of promise

In its revised production, made last year and now returned to the repertory, Kenneth MacMillan's *Anastasia* has been pulled into tight focus. Some editing of the score and the new design by Bob Crowley are to be thanked.

The first two acts, which present us with the Russian Imperial family, are more than ever like dream-memories of reality: they are what the Anna Anderson in the Berlin hospital of the last act thinks she recalls, hopes she recalls. The enclosing grey walls of Crowley's set, the distorted locations, prepare us for Anna's nightmare vision as she seeks her identity.

The dance-text is clarified by this re-thinking: the first act choreography, with its high spirits and serenities, and even its sudden chill gust as the Tsarevich falls, is more dream than fact; the ball-room of Act 2 is a fantasy arena which will fall to the invading Bolsheviks. It is with the third act, and Anna's wild flight through her own anguished psyche, that this earlier text is given perspective.

I admire *Anastasia*, and when it returned to the Covent Garden repertory on Monday, I greatly liked Leanna Benjamin's Anna – a reading taut, drawn on the knife-edge of neurosis, tragically clear in intention and image. Every least nuance of Anna's feeling, her anxious clutching at straws of memory and her no less desperate journey towards identity, were shown with searing intensity. This is a heart-tearing portrayal, shaped in long spans of despairing energy.

On Wednesday, Gillian Revie made an impressive debut in the role. One might complain she is physically too tall for the child of the first act, but the girl's innocence was well shown, and for the tragic survivor of the last act, she has the nervous force, the fine-drawn and distraught line of limb, that tells everything of the choreographic message. Revie is a beautiful young woman, and she is seen here – as she was when she played Mary Vetsera in *Mayerling* – as a dance-actress of exact and touching gifts.

In secondary roles, I greatly admired Elizabeth McGorian and Nicola Tranah as the Tsarina, and Stuart Cassidy and Gary Avis as Anna's husband: both men play with entire sympathy for Anna's swift-changing emotions, and partner with no less responsive skill. Some of the other performances – notably in the ball-room divertissement – were feeble, and the Tsar is a bit of a stick.

On a cross note, I record that the production appears to have been flung on to the stage. Lighting is errant (the sea in Act 1 may be billowing fabric covered with sequins, but we shouldn't see this), and at both performances, the film clips that are vital to the start of Act 3 were fudged: out of focus on Monday; non-existent on Wednesday. Inexcusable.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Gidon Kremer and Oleg Maisenberg: the violinists perform works by Schubert and Kantsjeli; Apr 13

■ BARCELONA

EXHIBITION
Fundació la Caixa Tel: 34-3-4588907
● Oskar Schlemmer: this exhibition, the first retrospective of Schlemmer's work in Spain, brings together a representative selection of works from all stages of his artistic career. On display are his Cubist paintings, works which present his ideas on theatre and dance, as well as drawings done from the window of his house during the period when the Nazi regime had labelled him as a degenerate artist and forbade him to work. Also included are filmed reconstructions of the Ballet Triádico and the Bauhaus ballets; to Apr 27

■ BERLIN

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● *Eugene Onegin*: by Tchaikovsky. Conducted by Jiri Kout, performed by the Deutsche Oper Berlin. Soloists include Ute Walther, Eva Johansson, Nadja Michael, Kaja Borris and Lucio Gallo; Apr 15

■ DUBLIN

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● Scream and Scream Again: group exhibition exploring the role of film in contemporary art. Featured artists include Sadie Benning, Douglas Gordon, Isaac Julien, Tony Oursler, Lisa Roberts and Marijke van Warmerdam; to Apr 16

■ LONDON

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● Ian Bostrige: performance by the tenor accompanied by the pianist Julius Drake. The programme includes works by Schubert; Apr 14
● Zurich Tonhalle Orchestra: with conductor David Zinman and pianist Radu Lupu perform works by Brahms and Beethoven; Apr 14

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● Variations on a Theme: exhibition celebrating Britain's musical heritage of the past 150 years, including some rarely seen images from the gallery's archives. Composers featured include Coleridge Taylor, Britten and Rawsthorne; to May 26

JAZZ & BLUES
Pizza on the Park Tel: 44-171-2355273
● George Melly: performance by the English jazz trumpeter and vocalist; Apr 12

■ MADRID

EXHIBITION
Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Gerardo Rueda: display centering on Rueda's collage work, which first appeared in the early 1960s. On view are some 100 pieces; from Apr 15 to Jun 16

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Hannah Höch: exhibition of work by the German artist who began experimenting with photomontage in Berlin just after the first world war, when a member of the original Dada movement. On dispay are 100 examples of Höch's work, covering her earliest experiments up to her final works in the 1960s; to May 20
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Human Figure in Transition: American Sculpture from the museum's collection 1900-45: selection of smaller-scale sculptures from the musuem's collection, illustrating both classical and more radical tendencies in modern sculpture from the first half of this century. Artists with work on display include Lachaise, Nadelman, Hoffman and Gross; from Apr 15 to Sep 15

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Eugen Onegin: by Tchaikovsky. Conducted by Antonio Pappano, performed by the Metropolitan Opera. Soloists include Galina Gorchakova, Francisco Araiza and Vladimir Chernov; Apr 14

■ OXFORD

EXHIBITION
Ashmolean Museum of Art & Archeology Tel: 44-1865- 278000
● Life Drawings: selection from the museum's collection examining the study of the human body since the early 16th century. Artists with work on display include Michaelangelo, Raphael, Rubens, Pissarro and Cézanne; to May 31

■ PARIS

EXHIBITION
Hôtel Dassault Tel: 33-01-42 96 12 23
● La Principauté de Monaco, 700 ans d'histoire: exhibition marking the 700th anniversary of Monaco, tracing the history of both the principality and the Grimaldi dynasty. On view are works from the collections of the Palais de Monaco and the Musée National de Monaco; to May 20

THEATRE
Odéon - Théâtre de l Europe Tel: 33-1 44 41 36 36
● A Doll's House: by Ibsen (in French). Directed by Deborah Warner and performed by the Théâtre National de Bretagne and the Odéon-Théâtre de l'Europe. The cast includes Isabelle Huppert and Andrzej Seweryn; to May 11

■ PRAGUE

EXHIBITION
National Gallery - Sternberg Palais Tel: 420-2-24510594
● Saint With Book: exhibition marking the return to Prague of an important 14th century statue "Saint With Book", purchased by the National Gallery at an auction in Zurich last year; to Apr 27

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Exhibition of the Velimezi Collection: exhibition of Byzantine icons from the 15th, 16th, 17th and 18th centuries, on display for the first time after restoration in the workshops of the Benaki Museum. The exhibition takes place at the Museum of Byzantine Culture; to Apr 15

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Picasso: The Early Years, 1892-1906: exhibition revealing Picasso's achievements before the advent of Cubism. Beginning with Picasso's formative years, this selection of about 125 objects traces the artist's close contact with Catalan modernism in turn-of-the-century Barcelona and his subsequent emergence in Paris. With a close examination of Picasso's Blue and Rose periods, the exhibition culminates with his monumental figure pictures of 1906, which were influenced by ancient Iberian sculpture. In addition to paintings, drawings and pastels, the display also includes sculpture, prints and smaller works; to Jul 27

■ ZURICH

EXHIBITION
Kunsthaus Zürich Tel: 41-1-2516765
● Callum Innes: display of watercolours by the Scottish painter, a recent Turner Prize finalist who's works attempt to reflect the colours of the Highlands and skyscapes of his native country; to Apr 27

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Campaign jitters

Labour is still well ahead in the opinion polls but seems to have lost some of its sureness in recent days

Most British general elections have a "wobbly Thursday", a moment in the campaign when the party out in front falls prey to neurosis. An impregnable lead somehow seems to be slipping. The other side has got its hands on the agenda. The media have become inexplicably hostile.

This time it is Tony Blair's turn. Let us be clear. New Labour's campaign, as some excitable reports would have it, is not falling apart. The media live by soundbites. In the weeks before an election they amplify the smallest change in volume many times over. The underlying rhythm of the campaign is often lost as today's disaster merges into tomorrow's triumph.

Yet there has been a change. In a matter of a couple of days, New Labour seems to have lost its sureness. There is a perceptible ebbing of confidence among the principal players, the cheerful smiles replaced by a certain tetchiness.

This finds an instant echo in the Conservative camp. Lost for most of the past three weeks in a fog of sleaze and indecision, John Major seems to have found some bearings. The prime minister looks exhausted, but his escape (albeit I suspect temporarily) from the cash-for-questions affair has given him a lift. Privately, he is scarcely exuberant. But publicly, when it counts, he is managing to crack a few jokes.

New Labour's campaign is the most sophisticated it has ever run. It's glamorous and it's glitzy, and it must be costing more than Old Labour could ever have dreamed of.

In spite of the ritual disavowals, the party has borrowed heavily from the successes of President Bill Clinton's New Democrats. Instant rebuttal of opponents' attacks, organisational precision and "staying on message" are the recurring themes.

The serried rows of staffers and computers in the party's headquarters at London's Millbank Tower have been pre-programmed to a simple message. Divided and corrupt after 18 years in office, the Conservatives have broken faith with the nation. Mr Blair has re-established his party as (and he repeats the adjective wherever he goes) a *mainstream* alternative the voters can trust.

The discipline extends to the leader's extensive tours of the country. The most striking impression one takes from travelling with Mr Blair's entourage is of the perfect choreography. The forays into the real world of voters are a photo-pageant, calculated at every turn to put reassurance alongside the promise of change. The props are children, more children, television actors, business executives, and more children. Middle Britain is writ large over every event.

And Mr Blair always stays on message. New Labour is not promising the world. How could it after Mr Major's broken promises? It can make a start. It has different values – more nurses to replace the swish company cars of hospital administrators, smaller classrooms instead of subsidies for private schools. This Clintonesque incrementalism is embedded in the modest pledges of the manifesto. It is all about trust. As far as one can see, his audiences are persuaded he is a politician tough enough to keep his word.

> The forays into the real world of voters are a photo-pageant, calculated to put reassurance alongside the promise of change

Yet back in London it is not quite working out as planned. Sleaze is the only issue which has caused real problems for the Conservatives. And it is a self-inflicted wound. The media, and I suspect the country even more so, have tired of the story. There are only so many times you can say that Neil Hamilton, the Tory MP at the centre of the allegations of financial wrongdoing, should do the decent thing and resign.

In its anxiety to maintain its defences, New Labour has not landed a significant blow. There are plenty of possible targets. But it is as if Mr Major's manifesto, all 20,000 words of it, had never been printed.

By contrast, the Conservatives have found chinks in New Labour's armour. It started with obvious internal confusion over trade union recognition. It is a subject on which the party has still not got its lines cleared and to which Mr Major will return again and again. In recent days, the party has spoken with several voices about its attitude to privatisation. We have seen earlier slip-ups over Scotland, and dissension over the windfall tax on privatised utilities.

Mr Blair's aides have whispered that the burden of the tax will fall almost uniquely on water and electricity companies. The yield will be at the lower (about £3bn-£4bn) end of most forecasts. Few voters blanch at the thought of the water company fat cats getting a hefty bill. It is a touch harder for business-friendly New Labour to say British Telecommunications is in their sights. Gordon Brown, the shadow chancellor, takes a different view. He wants room for manoeuvre. My guess is he has in mind a figure of, say, £5bn.

In isolation, none of these slips really matters. The privatisation row, for example, is part of an Alice in Wonderland debate about the state of the public finances. The truth here, which the parties, of course, will not admit, is that Mr Major has no money for his promised tax cuts, and New Labour will need a miracle to stick to its spending targets.

But each wrangle picks at Mr Blair's wider strategy. Mr Major seems to have a two-way bet. Either the opposition has something to hide or its lukewarm conversion to Conservative policies will not stick in office. And, for now, Mr Major has the media on his side. He has had a rough patch, so the guardians of the nation's democracy judge it time to dish it out to New Labour. Mr Blair, after all, is much the more likely to be the next prime minister.

The opinion polls add to the nervousness in Millbank. Two now have pointed to a lead of between 12 and 15 points instead of the 20-plus the party had become accustomed to. Mr Blair knew it would happen. He expects a faster narrowing in the gap before May 1. Fainter hearts are not quite so rational.

There has been, then, a real wobble. No doubt it will prompt some of Mr Major's colleagues to shuffle off their fatalism. The mood in New Labour's camp may darken further. But we should keep a sense of perspective. Even if the polls are moving, the gap looks impossible to bridge. There is a more important point: this election is about the nation's mood, not about the detail of policies. For some time, it has been Mr Blair's to lose. It still is. Rarely has a party so close to power seemed so fearful.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Political alliance in Poland hardly rightwing

From Mr Mariusz Kuklinski.

Sir, Chris Bobinski is the best foreign correspondent in Poland. His report "New constitution divides Poles" (April 4) seems, however, to reflect more general confusion with regard to the positioning of Polish political parties on the left-right axis.

Your author has classified Solidarity Electoral Action (AWS) as "an alliance of rightwing political parties". In fact, while it comprises some very small rightwing parties in the classical sense of the word, its core – the Solidarity Union – is about as rightwing as National Miners Union in its heyday, anti-communist rhetoric of the former notwithstanding. Political scientists would rightly be horrified to see a pressure group demanding subsidies to about 400 state-owned companies labelled as rightwing; this would, however, be a matter of academic inconvenience only. In the case of an investment banker considering political risk to his portfolio, such confusion may incur very tangible and painful costs. In fact, as pointed out in an excellent 1994 paper from Harvard Business School on The Gdansk Shipyard (February 24), having a trade union activist for a CEO creates enough foreign direct investment problems to discourage even such a committed investor as Ms Barbara Piasecka-Johnson.

This paradox in Polish politics was addressed in an apt phrase coined by the author of Polish economic reforms, Mr Leszek Balcerowicz, who described Solidarity and its allies as "rightwing socialists". An analyst in the City, who for his own reasons wishes to preserve anonymity, went a step further, describing ROP (Movement for Poland's Reconstruction) as national-left and AWS as syndicalist left. We argue whether the latter should be labelled as militant.

Mariusz Kuklinski,
11 Palm Grove,
London W5 4AF, UK

ACT change could benefit tax revenues

From Mr Sushil B. Wadhwani.

Sir, I think that Alastair Ross Goobey protests too much (Letters: "Labour tax proposal would hit UK pension funding", April 4), when he asserts that "... the net effect [of the ACT change] on ... tax revenues may be negligible as a consequence".

If one takes the most extreme scenario where *all* the loss to pension funds from lower tax credits is compensated for by higher corporate contributions to pension schemes, the revenue loss to the government is only 33 per cent (ie the corporate tax rate) of the value of the higher contributions. Hence, about two-thirds of the revenue gain from lower credits remains in the hands of the government. Since not all companies would need to raise their contributions, the government can expect to keep an even higher fraction of the revenue gain.

Mr Ross Goobey is, though, surely correct when he asserts that an advance corporation tax change is likely to depress share prices. However, even here, an important qualification is in order. If no ACT change were to imply no meaningful fiscal tightening in Labour's June Budget (because of political constraints ruling out other tax changes), the entire burden of adjustment would fall on interest rates and, therefore, the exchange rate.

Over time, such an unbalanced policy mix would also depress UK share prices. Hence, although in the short-term an ACT change would cause a significant fall in share prices, a scenario where no ACT change implied no fiscal tightening would, over a one to two year period, produce share prices that were only modestly higher than what would be delivered by the ACT cut scenario.

By definition, no tax increase is victimless, and an incoming Labour chancellor would confront much lobbying against any rise in taxes that he proposes. A failure to reduce the already high structural budget deficit with an already buoyant consumer sector would, though, be guaranteed to deliver much higher interest rates and an even more overvalued exchange rate.

Sushil B. Wadhwani,
director of research,
Tudor Proprietary Trading,
The Upper Mill,
Kingston Road,
Ewell,
Surrey, UK

Design not workable

From Mr David Kenyon.

Sir, Brian Reading rightly concludes ("Don't put money on Emu"; April 5) that the Maastricht design for a single currency will not work in practice.

There never was a possibility that even core member states could meet all of the convergence criteria without a fudge. The mystery is how EU states could have signed up to criteria which they must have known to be unattainable. The Maastricht criteria represent the triumph of political aspiration over economic realism.

Significantly, unemployment rates were omitted from the criteria. Unemployment rates in the EU range from 6 per cent (UK and Netherlands) to 21 per cent (Spain). Unemployment in France and Belgium is 13 per cent. Advocates of monetary union should explain how it is possible to devise a policy which would serve the needs of member states with such disparate economic circumstances.

David Kenyon,
29 Woodsyre,
Sydenham Hill,
London SE26 6SS, UK

Economics and filling the 'black holes'

From Mr Geoffrey Dicks.

Sir, As politicians vie with one another over privatisation revenues and their role in various public finance "black holes", it is important to remember the economics. Privatisation receipts are a way of financing a given budget deficit through the public sector balance sheet. They do not, in a meaningful economic sense, reduce government borrowing. More gilt sales (incurring extra liabilities) are the alternative to privatisation (selling assets) not higher taxes.

Geoffrey Dicks,
UK economist,
NatWest Markets,
135 Bishopsgate,
London EC2, UK

UK companies better than European average on debts

From Mr Richard Page.

Sir, I find it surprising that the Financial Times should create a misleading impression of the record of UK companies in settling their debts with your headline "Payment record 'among worst in Europe' " (April 9).

The very report from which you quote makes clear that the average time it takes for buyers to settle their accounts is below the European average.

This does not make us complacent, however. The government takes the issue of late payment very seriously. That is why, following the most extensive consultation of small business ever conducted in the UK, we introduced a requirement for larger companies to report both their payment policies and performance.

The same consultation exercise made clear that small businesses were overwhelmingly opposed to statutory interest payments on debt, which remains the policy of the Labour party. Eight out of nine small business representative organisations were hostile to such an approach, which they believed would be used against small businesses by larger firms.

The announcement on Tuesday of a significant reduction in business rates for small firms is another example of how Conservatives listen to small business and act on their concerns, and has been warmly welcomed by Britain's entrepreneurs.

Richard Page,
minister for small business,
Conservative Central Office,
32 Smith Square,
Westminster,
London SW1P 3HH, UK

Europa • Carl Bildt

Beyond grand speeches

There are positive signs in Bosnia, but the peace process must not be allowed to slip

A new gloom about the prospects of Bosnia seems to have descended on western capitals. Representatives of the three constituent peoples of the country constantly point out the failures of the other two to implement the peace agreement fully. Politicians used to the clear-cut policies of war have had difficulty adjusting to the more complex politics of peace.

Yet things are moving forward. It is not unusual to see more civilian airliners than military transport aircraft at Sarajevo airport. The common institutions of the country, set up under the Dayton peace agreement, are meeting regularly without the help of outsiders.

Building the common institutions of the Bosnian state is vital. According to the peace agreement Bosnia will have a minimum state, with limited but clear competencies. Most of the powers will lie with the Moslem-Croat Federation and the Republika Srpska.

Our work now is concentrated on getting the new council of ministers, and then the parliamentary assembly, to agree interim laws to make their state exist beyond diplomatic speeches. Considerable progress has been made on the laws, regulations and budget decisions necessary to pave the way for a stand-by arrangement with the International Monetary Fund.

Important issues remain. Monetary unification, by the establishment of a central bank, has not been fully agreed, in spite of the provisions of the constitution.

On the Bosniac (Moslem) side some seem to believe that every move that does not immediately bring about a unitary state spells the death of their Bosnian dream. To overcome the deep divisions of the country – and make partition impossible – will take longer than most people realise.

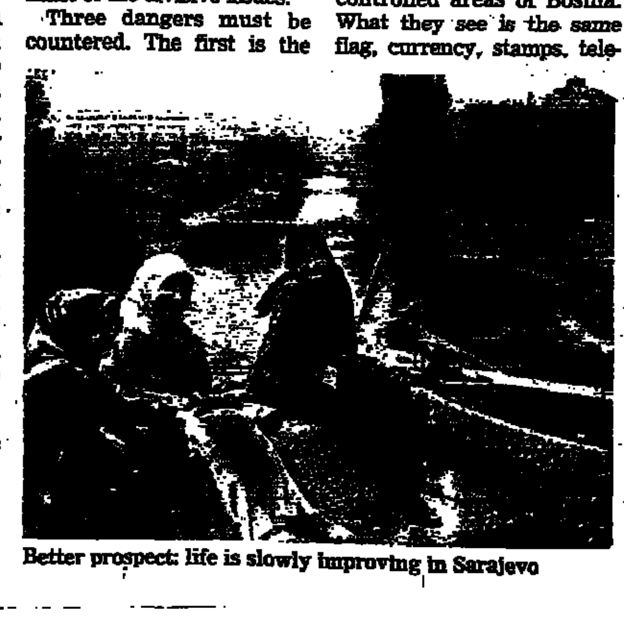
The international community has devoted significant resources to Bosnia, and will continue to do so for some time. But we must work out how to scale back resources committed to Bosnia without jeopardising the peace.

We must focus on a strategy that blocks the opportunities for political leaders in Bosnia and the region to pursue policies that run contrary to the core of the peace agreement. Yet it must also be a strategy that reduces our responsibility for day-to-day micro-management of the divisive issues.

Three dangers must be countered. The first is the military option. All leaders must realise that a renewal of fighting will not be tolerated by the international community. This is obvious as long as the SFOR (stabilisation force) is in place, but must be equally clear after it leaves. Only with the military option removed will it be possible to concentrate on the political agenda.

Secession by the Serbs and Croats in Bosnia, which could come in creeping and hidden forms, must be resisted. In recent months there have been moves to reforge the old alliance between President Slobodan Milosevic in Belgrade and Mr Radovan Karadzic in Pale. Agreements have been concluded which, in parts, contradict the spirit and letter of Dayton. This must not be tolerated.

There is equal reason to be concerned with long-term Croatian intentions. Only the most sharp-eyed would notice that they had entered another country when crossing the border between Croatia and the Croatian-controlled areas of Bosnia. What they see is the same flag, currency, stamps, telephone system, police uniforms, and TV and newspapers. The international community must be clearer in safeguarding the integrity of Bosnia.



Better prospect: life is slowly improving in Sarajevo

The third danger is dominance by the Bosniacs, paying only lip-service to the concept of power-sharing and effectively monopolising power for themselves. There are clear indications that the Bosniacs are continuing to finance and operate old mono-ethnic structures and organs which should have been closed down in favour of the new multi-ethnic ones.

If the military option, as well as the secession and domination options, are blocked by the international community – and this is feasible – the country's politicians will have no choice but to pursue painful compromises aimed at moving towards the goals of Dayton.

The international community must be ready to help in several areas, but the overall responsibility for the pace of development must rest with the national leaderships.

Bosnia is only one part of the wider instability and insecurity of south-eastern Europe. The situation in Albania has once more highlighted the challenges we will face in years to come.

The need to forge a strategy for stability and integration in the area as a whole should be clear to everyone. Here rests the ultimate test for the EU's common foreign and security policy, not to mention the new trans-Atlantic relationship and the evolving partnership with Russia.

The author is the international community's high representative in Bosnia-Hercegovina, overseeing the civilian aspects of the Dayton peace agreement

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Friday April 11 1997

Making sure with Shell

What should a company do when faced with pressure from a vocal minority of shareholders over its approach to politics or society?

Royal Dutch/Shell has become the latest and most prominent group to suffer this problem, thanks to its mishandling of controversies concerning the Brent Spar oil platform and its activities in undemocratic Nigeria. At its annual meeting next month, it faces a resolution from dissident shareholders criticising its human rights and environmental policies and demanding it tighten procedures to ensure it fulfils its promises on corporate responsibility.

Is Shell right to reject the motion? On the face of things, it has a case. Though long in the political frontline thanks to its global activities, and though sometimes rightly criticised for corporate secrecy, it has generally occupied elevated moral ground by international standards. Moreover, since floundering two years ago over Brent Spar and Nigeria, it has improved its approach to social and environmental issues.

It has broadened its "statement of general business principles" to encompass support for human rights – "in line with the legitimate role of business" – and for sustainable development. It has consulted widely with non-governmental organisations and vowed to take their concerns into account in future strategy. It has tightened its internal controls, and made more information available.

The question is whether that will prove enough. The dissidents want Shell to go further, by establishing an "independent external review and audit procedure for such policies". Shell says it is satisfied with its internal procedures, and that external audit is "only one of the tools" available to help managers monitor implementation. Moreover, if shareholders feel differently in sufficient number, they can throw out the board.

Up to a point. Shareholder concern over corporate responsibility issues may not be sufficient to warrant the nuclear weapon of sacking directors, but might be real enough nonetheless. Group reporting procedures still allow significant leeway to powerful country managers – one of the structural flaws that led to the problems in Nigeria's Ogoniland. Given that fact, western critics will continue to complain of insufficient transparency.

Shell may feel aggrieved that it has become the latest target for publicity-seeking corporate governance consultants. But its procedures on the environment are not as open as those of, say, British Petroleum, and in that sense it still has a genuine public relations problem. It is always better for companies facing criticism of this kind to try to outflank it than to appear grudging or defensive.

Pensions debate

Pensions are one of the few areas where there are real differences between the policy ideas of the two main parties in the British election. The Tories offer more privatisation: Labour would maintain the basic and earnings-related pensions, while offering a new "stakeholder" pension to substitute for Serps.

This would be like a personal pension, but with a New Labour, communitarian gloss: it would be run jointly by employees, employers and the finance industry. However, employers do not seem to think much of the idea. According to consultants Alexander Clay, 80 per cent of companies with pension plans would not join industry-wide stakeholder schemes because of lack of control and the involvement of unions.

The Tories would abolish Serps and phase out the basic pension in favour of compulsory personal pensions for younger workers. But this approach is supported by only 14 per cent of companies with pensions schemes.

The pensions industry has also criticised the Conservatives' idea of financing the scheme by switching tax relief from contributions to pensions in payment. But it would be difficult to tax employer contributions in salary-related schemes without damaging employees' incentive to join schemes or employers' incentive to offer them. A cash-strapped government might renege and tax pensions anyway.

The Tory plan to cut state pensions is unnecessary: contribution rates are projected to fall over the next 50 years, despite a 50 per cent increase in the number of pensioners. But they are affordable only because they are inadequate.

By 2030, the basic pension will be worth just 7 per cent of average earnings. Mandatory second-tier pensions – Serps and private plans – will probably provide the same again or more. But if people do not make additional provision, they will be left short in retirement.

Furthermore, while most people have personal or company pensions, a significant minority misses out because of time spent not working or on low earnings. Average pensioner incomes have risen 51 per cent since 1979, slightly faster than workers'. But the income of the poorest 20 per cent is only 24 per cent higher than it was in 1979. This aged "underclass" will lag further behind on current policies.

The most sensible approach would be, first, increasing income support ahead of inflation, so that poorer pensioners could share in rising living standards and, second, greater mandatory pension coverage to ensure that the rest save enough for old age.

Role for EBRD

The European Bank for Reconstruction and Development was controversial from the very beginning. Under its current president, Jacques de Larosière, however, it has proved its worth. It has a big task ahead of it, though not one that should last forever.

The idea behind the creation of the bank six years ago was that transforming centrally planned economies was an unprecedented task which required help from a specialised institution. Opponents argued that it would merely be another self-serving bureaucracy – a view that the profligate style of Mr Jacques Attali, the first president, appeared to confirm. Under the leadership of Mr de Larosière and the first vice-president, Mr Ron Freeman, however, the critics have been confounded.

By applying sound banking principles, the EBRD has helped promote honest business and transparent deals in a region where the rule of law is weak and where privatisation on an unprecedented scale has inevitably been accompanied by corruption. It has kept to its brief of not competing with the private sector, but has co-operated on projects that the private sector has been unable, or unwilling, to undertake on its own.

The bank has become the largest single investor and lender to the private sector, from Poland to the Pacific. One of the best indicators of its effectiveness is its growing ability to generate co-financing. Last year the EBRD mobilised Ecu3.8bn from third parties in addition to the Ecu2.2bn from its own resources.

At last year's annual general meeting in the Bulgarian capital, Sofia, shareholder governments agreed to double the bank's capital to Ecu20bn. They also approved a forward-looking "graduation policy". This committed the bank to tackling innovative projects that open the way for future private involvement.

This year's annual meeting, which starts in London tomorrow, finds the institution profitable, respectable – and in search of a new vice-president and perhaps a new president. But the path they will have to follow has been well laid out by the present incumbents.

The bank's job is to apply sound banking principles, while opening new opportunities for domestic and foreign private capital. In more advanced central European countries, this process is already well advanced. They should be able to stand on their own by the first decade of the new century. Elsewhere, however, the bank's growing expertise and ability to provide comfort to outside investors seems likely to be needed much longer.

The FT Interview · Bill Gates

Guardian of the gateway

Louise Kehoe meets the co-founder and chairman of Microsoft as he promotes the vision of a PC in every living room

It is 8.30am in San Francisco. About 10,000 personal computer engineers and software writers are gathered to hear the man whose vision of a "computer on every desk and in every home" has created a $180bn industry.

Ear-splitting music accompanies a flashing montage of milestones in the history of the personal computer. This is nostalgia, computer-industry style.

Enter Bill Gates, Microsoft chairman and co-founder – and one of the the richest people on earth. With his hair slightly tousled and clad in a red conference T-shirt, he fits right in with this crowd of fashion-unconscious techies.

"The entire world is going digital," he says. Digital television will help to put PCs at the heart of home entertainment systems. Home use of PCs will "skyrocket" as they are increasingly linked to the global Internet. The audience enthusiasm is palpable, but Gates is not just playing to the crowd. His vision of ubiquitous home computing, which encompasses a range of "information appliances" as well as general-purpose personal computers, is near to becoming reality.

As the next speaker takes the stage, Gates retires to a side room to begin the interview. He talks about the convergence of computing, entertainment and communications. "The PC is going to be at the centre of home entertainment systems," he says. Electronic mail will be commonplace, "not just in the business world but as part of other daily activities".

This is no rehash of the grandiose notions of a trillion-dollar industry and futuristic computer applications in vogue a few years ago. Gates is talking about the here and now; business deals that are unfolding, battles over technical standards, and the nuts and bolts of extending the reach of PC technology.

Last weekend Microsoft announced the $425m purchase of WebTV, a Silicon Valley start-up company that has developed technology enabling users to access the Internet through their living-room TV sets. WebTV "set-top box" adapters sell for about $350, compared with between $1,000 and $2,000 for a standard home computer. Users can send and receive e-mail and surf the World Wide Web, where multimedia information is published on the Internet.

WebTV cannot, however, run PC software. Unlike any other product that Microsoft sells, it is not compatible with Windows, the Microsoft PC software. Explaining this dichotomy, Gates is unusually pragmatic. "The more powerful device is the PC, and the PC is going to come down in price and go up in power. But it is not going to be as inexpensive as a subset [special purpose] device can be.

"WebTV has built a product that you just plug in and go out on the Internet. They have done an excellent job. You don't get a lot of things that the PC brings, but, if you just want to get on the Web, it comes through in a very impressive way."

So-called information appliances – smart televisions, telephones and hand-held devices – are all part of Gates's vision. This is expounded in *The Road Ahead*, his best-seller published last year. According to his view, these devices will share software standards.

WebTV will be drawn into the Windows fold next year, when a model that runs a version of Microsoft Windows will be launched. Still, WebTV is a "less capable" alternative to the home PC, he says.

Some see Microsoft's purchase of WebTV as an admission that PCs are too expensive and too complicated to become true mass-market consumer products. But Gates is having none of it. He rejects any suggestion that Microsoft has adopted the network computer approach touted by his arch-rivals, Larry Ellison, chairman and chief executive of Oracle, and Scott McNealy of Sun Microsystems.

This camp maintains that it makes no sense to duplicate expensive computer power and data storage on every desktop and in every living room. Instead, they would link low-cost terminals to powerful central computers, or servers.

Isn't that what WebTV does and isn't the WebTV device just a network computer (NC)? "That just shows how silly the term 'NC' is," Gates fires back. Many products could be called NCs, he says, recalling the Tandy Model 100 – a precursor to the modern laptop computer – in the 1980s. "That was the last computer I wrote the software for. It turns out to be a network computer. So I must be the most closet, freaky NC lover that ever existed.

"The only thing one can say for sure about the NC is that it stands for 'not compatible' [with the PC]." The network computer idea "is very much an inside industry thing," he says, implying that it is driven more by corporate and personal rivalries than by customer needs.

Intensely competitive, Gates cannot let the topic go. "They say the PC is a bad idea. It is evil," he says. Network computers' supporters threaten to take away the freedom and flexibility that PCs have given to individuals.

This battle aside, the biggest challenge facing Microsoft and the rest of the PC industry is to expand its market beyond the approximately 40 per cent of US households – less in other parts of the world – that already have PCs. As sales to first-time PC buyers slow, many analysts have questioned whether the home PC market is reaching saturation. Gates is dismissive. "You really have to [lack faith] in interactivity to think intelligent devices will not become pervasive in business, education and homes over the next decade."

Now we get a taste of Gates's infamous sarcasm, as he seethes at the suggestion that the PC market may have run out of steam. "Write that story," he challenges. "Keep that story for next year and run it again. Every year we see the same stories about the decline of the PC."

Gates is convinced that the PC will soon take its place in the living room as part of an all-digital home entertainment system. He acknowledges, however, that the PC must become easier to use if it is to be as common in the home as in the workplace. "I think people are going to be pretty stunned. They saw how quickly we adapted the PC to Internet standards. The next target is simplicity."

Microsoft has demonstrated its rapid reaction times. Within days of a decision by the Federal Communications Commission to allocate digital television channels to US broadcasters earlier this month, the company jumped on the opportunity. Gates is already demonstrating the ability of the PC to enhance digital TV signals with interactive features. He has campaigned for the adoption of PC-friendly digital TV video display standards – which have been opposed by TV manufacturers – and promises that the ability to display digital TV will be a standard feature of PCs built next year.

The PC will "bootstrap" digital TV, Gates says, suggesting that the success of broadcast digital TV will depend on his industry. There will be tens of millions of PCs capable of receiving digital TV signals in use by the time US broadcasters begin transmissions next year, he says. Consumers will choose these PCs over "very, very expensive" digital TVs. "We see the migration to digital TV as a big new opportunity for the PC."

This is not the first time Microsoft has tried to enter the living room. Three years ago the company invested heavily in the development of interactive TV, only to see its efforts fail. "Patience is a key element of success," Gates says with a smile.

It is a philosophy that has served him well in several aspects of Microsoft's business. Windows, now the most widely used PC operating system, went through several iterations before becoming a commercial success. Similarly, Gates doggedly supported the CD-Rom for the best part of a decade before it caught on.

"We have been working on interactive TV for a long, long time," says Gates. The problem has been the technology is too expensive, but he is optimistic that the magic of semiconductor chips, which double in power every couple of years, will overcome this problem. "It is still going to take a while before we have interactive digital TV."

In the meantime, bringing the Internet into the home is Microsoft's primary focus. For all of the hyperbole surrounding the Internet, most PCs are not yet linked to the global network. "There is still a lot of work to be done to get the world to see the Internet as something that everybody has to have."

Gates will not shirk this task, or indeed any other that may further Microsoft's prospects. After the interview, he is rushing to squeeze in a visit to WebTV's Silicon Valley headquarters before jetting to Houston, Texas, for dinner with Andy Grove, Intel chief executive. After that, he is giving another big speech before an audience of 6,000 computer dealers at Compaq Computer. For Gates, it is all part of the Road Ahead.

· OBSERVER ·

Ahead in the clouds

■ Only a month after it poached Jeffrey Katz from American Airlines to be its new chief executive – and brought in a couple of hotshots from British Airways – Swissair has been told that there are too many foreigners in its executive cockpit. According to the company's bye-laws, two thirds of its board should be Swiss.

Getting round the problem shouldn't be too difficult; it can always add a few more Swiss with high-falutin' titles to the management team. But the airline could have avoided the problem in the first place if only it had swallowed its pride and brought in the one man in the organisation who really knows how to run an airline – Moritz Suter, 54, who runs Crossair, Swissair's majority-owned regional carrier.

Suter's problem is that he doesn't quite fit the Swissair mould. The veteran Swissair pilot, who set up his own airline in his spare time, yesterday turned up at his annual results press conference dressed as a cowboy. He joked that he needed to carry a gun to get more respect in the boardroom of SAirGroup, Swissair's parent.

Crossair has been much more successful than Swissair in coping with diving prices and climbing costs. One reason is that Suter's pilots get paid far less than the typical Swissair flyer – though a generous profit-sharing scheme helps keep Crossair's troops motivated. Swissair could have done worse than hand over the controls to the entrepreneurial high-flyer.

Nabbed

■ The annual convention of France's association of police unions turned into a sour affair yesterday, with the news that the FASP has decided to file for bankruptcy.

After living through the reign of seven secretary-generals in as many years, the organisation has run up debts of FFr25m; it has also been accused of lacking any decent accounting systems and faces a judicial inquiry relating to allegations of theft and fraud. What's that old saying about cobblers' children?

Handy Andy

■ Intel chief executive Andy Grove cashed in stock options worth $94.6m last year, on top of his salary and bonus of $3.25m. But you won't hear many shareholders complaining about this "fat cat". Indeed, some might say that 60-year-old Grove – who has been with the microchip company since it was founded in the late 1960s – is underpaid. After all, he was the driving force behind last year's 200 per cent increase in Intel's market value.

Besides, not all of Grove's profits went into his back pocket; the man who's been described as "the Bill Gates of hardware" and (by Fortune magazine) as "the best manager in the world" sold 440,000 shares to pay taxes on his gain and donated 220,000 to a non-profit organisation he's created, adding 80,000 to his own portfolio. Must take a top-notch PC to keep track of all those noughts.

Design for living

■ Willy Johnson is one of those British inventors who has made millions for manufacturers in the United States and Japan but who's largely been ignored in his own country.

Now, at 57, he hopes the doctorate of design being bestowed upon him today by Southampton University will help raise the profile of Britain's dwindling band of independent innovators. Johnson turned himself into a millionaire when he sold his Microsharp business to Nashua in the US and now perches in a cliff-top home in the Channel Islands.

With more than 200 patents registered in his name, Johnson first made his mark with "Micropacer", an electronic pedometer fitted into training shoes and adopted by Adidas in 1984 for the Los Angeles Olympics.

With the help of the Southampton campus, he's got 11 new projects under way and is mulling whether to bring outside investors into Durand, his invention workshop. Sounds like another promising idea.

Dead meat

■ With stealth technology, Star Wars looks and 21st-century electronics, the new US F-22 fighter is a very sexy aircraft indeed. And so it should be for $75bn, which is what the US air force is going to pay for 400 or so of the fearsome fighters over the next 20 years. The cost is concerning some on Capitol Hill, since the jet was originally designed to meet a theoretical threat from a Soviet Union which no longer exists.

Curious, then, that air force generals have named the new fighter not after a bird of prey – the Eagle and the Fighting Falcon are already in service – but after a dinosaur. The Raptor, as every moviegoer knows, is the stealthy but very much extinct beastie from *Jurassic Park*. Not the best image to place before the Congress in an era of budget cuts.

The Financial Times

50 years ago

Nickel Rupee For India
India gave up the minting of the rupee in silver yesterday, when the Central Legislative Assembly passed a Bill brought forward by the Finance Minister for the rupee to be minted in nickel. There was strong opposition to the proposal, and only the demand by the Government whips secured assent to what is described as a "highly unpopular change." The return of 226,000,000 ounces of silver, borrowed from the United States during the war, is the most important practical consideration prompting the Bill amending the Indian Coinage Act.

Mr. Truman's Warning
President Truman stated yesterday that the possibility of amending war-time legislation which obliges the Government to prevent prices of foodstuffs and farm commodities from falling below a minimum was under consideration, and warned that, unless prices in general came down, wage increases would be justified. He was in favour of reductions in the prices of foodstuffs as well as the prices of manufactured articles, but acknowledged as correct that the U.S. Government was planning to spend $160 millions to keep up the prices of foodstuffs and farm commodities

FINANCIAL TIMES
Friday April 11 1997

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Dutch to lead EU's Mideast peace effort

Israeli security finds West Bank Hamas cell

By Gordon Cramb in The Hague and Judy Dempsey in Jerusalem

Mr Hans van Mierlo, the Dutch foreign minister, will today meet Mr Yassir Arafat, the Palestinian leader, as part of a *European Union effort to help* put the Middle East peace process back on course.

The mission was announced yesterday by Mr Wim Kok, the Dutch prime minister, after a meeting in The Hague with Mr Benjamin Netanyahu, his Israeli counterpart.

The Netherlands, which holds the EU's rotating presidency, was "concerned at the lack of progress and the risk being run of a spiral of violence", Mr Kok said. The talks with Mr Arafat would "explore the possibilities for further initiatives".

Earlier in the day, Israeli security services said they had uncovered a Hamas cell in a West Bank area still under Israeli control. The also found the body of Mr Sharon Edri, an Israeli soldier who had been missing since September and who had apparently been killed by Hamas.

The cell was discovered in the village of Surif after Palestinian forces had arrested several members of Hamas, the *Islamic militant group.*

Hamas claimed responsibility for last month's suicide bomb attack on a Tel Aviv café which killed three people and was responsible for the wave of bomb attacks on Israeli civilian targets early last year.

Israeli forces swept down on the village, detaining 25 people, according to Palestinian sources.

Mr Yitzhak Mordechai, the Israeli defence minister, said last night there had been some co-operation between Israeli and Palestinian forces in uncovering the terrorist cell, indicating for the first time that security contacts between both sides have not been completely suspended.

The operation points to efforts by the Palestinian Authority to crack down on Hamas, even though some activities and cells are organised outside areas under the authority's control. "It shows that both sides need each other to crack down on terrorism," a diplomat said.

However, Palestinians yesterday insisted they would not return to the negotiating table until Mr Netanyahu halted construction of a Jewish settlement at Har Homa in East Jerusalem and stopped the confiscation of Palestinian land.

Mr Saeb Erekat, the Palestinian chief negotiator, was due last night to raise these issues with Mr Bill Clinton, the US president, in Washington.

Mr Netanyahu again insisted yesterday that Israel had the right to build at Har Homa. He said it fell within the scope of the Oslo peace accords, adding that the current "unstable situation can be made explosive unless violence and terror are brought under control".

Yeltsin launches battle against corruption

By Chrystia Freeland in Moscow

Mr Boris Yeltsin, the Russian president, yesterday declared war on government corruption with a series of measures aimed at cutting out opportunities for taking bribes.

Speaking in his weekly radio address, Mr Yeltsin vowed: "I will carry this difficult struggle to the end. It will become scary to steal and take bribes."

Mr Yeltsin said that from May 1 all government procurement would be conducted through an open tender process. Opaque systems for ordering goods and services have been one of the biggest sources of corruption and have sapped the impoverished Russian state of sparse funds.

As an opinion poll this week confirmed, more than half of Russian voters see corruption as the country's most pressing problem. To bolster his promise, Mr Yeltsin also said he would soon require income declarations from government officials and their families.

The demand follows a scandal surrounding the alleged personal fortune of Mr Victor Chernomyrdin, the Russian prime minister. The premier, who has close links with Gazprom, Russia's natural gas monopoly, was accused of amassing more than $5bn. He denied the claim, saying his only source of income was a $700 monthly salary.

The reformist team Mr Yeltsin brought into the cabinet last month lends further credibility to his anti-corruption campaign. The president's first lieutenant in the clean-up effort is Mr Boris Nemtsov, first deputy prime minister and the former governor of Nizhny Novgorod.

The first target of the campaign is likely to be Unified Energy Systems, the electricity monopoly which Mr Nemtsov warned this week would be subject to an overhaul. Gazprom is also in the government's sights.

Mr Alfred Kokh, head of the *State Privatisation Committee*, yesterday warned that the government was considering taking back control of the 35 per cent state stake in Gazprom which it had entrusted to the company's management.

Mr Kokh's threat, which would seriously limit the power of Gazprom's executives, was the government's robust answer to an allegation made yesterday by Mr Rem Viakherev, the Gazprom chairman. Mr Viakherev said efforts to break up Gazprom were *part of a conspiracy* led by US oil and gas majors.

Mr Kokh denounced that claim as "nonsense" and criticised Gazprom's investment policies.

Rubin shows concern at dollar's rise against yen

Continued from Page 1

senior currency economist at UBS in London, said: "It seems that the Japanese are aggressive on weakening the dollar and the US is equivocal."

Traders noted the treasury had signalled that the US was willing to maintain pressure on Japan to reduce its current account surplus by stimulating domestic demand.

Mr Rubin's statement added: "I would note that the prime minister of Japan stated last week that Japan needs to accomplish strong domestic demand-led growth and avoid a significant increase in its external surplus. The *challenge for Japan is how to* achieve these objectives."

Japan has been concerned for some time that the strong dollar's effect on the trade balance between the two countries – a sharp increase in the Japan's surplus – might intensify trade frictions between them.

Earlier, Mr Hiroshi Mitsuzuka, Japan's finance minister, indicated that Japan not only opposed the yen's long slide but was prepared to intervene in the market to reverse it.

He said that the yen's fall had been excessive and that Japan would deal "decisively" with any such excessive moves.

India's coalition dares Congress on confidence vote

By Mark Nicholson in New Delhi

India's United Front government was last night threatening fresh elections by *daring* the Congress party to side with its political enemy, the Hindu revivalist Bharatiya Janata party, in a confidence vote today.

The uncompromising stance – following the failure of talks yesterday to resolve differences – seemed designed to try to force Congress into a change of heart before today's vote.

Recent by-elections and opinion polls suggest fresh elections would inflict further losses on Congress and deliver *victory to the BJP.*

The UF, a combination of 13 regional, leftist and ex-Congress splinter parties, coalesced after last May's inconclusive elections, using Congress support in parliament to keep the BJP, the biggest party, from power.

Informal talks between Congress and the UF looked certain to continue deep into the night, though neither side had given ground during the day.

Congress continued to insist agreement was possible only after the removal of Mr H.D. Deve Gowda as prime minister. The UF said this was "unacceptable".

"The United Front steering committee has decided to place in parliament our position and *defend it,*" said Mr Harkishan Singh Surjeet, secretary general of the Communist Party (Marxist), a UF committee member. "We are ready to face the consequences and there is no question of a change of leadership."

Mr V Gadgil, Congress spokesman, said talks could continue if the UF changed its leader. "If by tomorrow morning the matter is not resolved we will vote against the government."

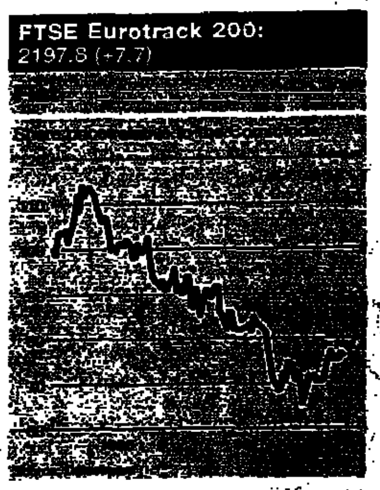
Barring a pre-dawn deal, parliament will reconvene this morning to debate the confidence motion later tonight. The BJP, though it has been non-committal about its intentions, *is expected to vote* against the government, which commands only 176 seats in the 543-seat house.

A UF defeat is expected to lead to fresh elections, though Mr Sitaram Kesri, the Congress leader whose challenge to the UF precipitated the current crisis, has held out the hope of being invited by the president to try to form a new administration.

However, this ambition rested on Congress forcing a split in the UF coalition and *drawing over many of its components.* But the UF, a disparate and fractious coalition, has surprised Congress and analysts by its unity in the face of the Congress assault.

THE LEX COLUMN

Trusting Japan



As the first instance of a cross-shareholding between a foreign bank and a Japanese one, the tie-up between Bankers Trust and Nippon Credit Bank is worthy of note. But the idea – much-beloved by Ministry of Finance officials – that the *gaijin* will now come riding to the rescue of the country's ailing banks seems far-fetched.

For Bankers Trust, which is having a busy week following Monday's $1.6bn acquisition of Alex. Brown, this is a straightforward business deal. Deeply-troubled NCB has been ordered by the government to shrink its balance sheet and sell its overseas assets. The only practical way to do that is through securitisation, something Japanese banks know little about. Bankers Trust should therefore be able to earn some fat advisory fees and may even crack open the Japanese market, where securitisation is still largely illegal. By comparison, the symbolic (for which, read tiny) equity stakes the two banks are planning to take in each other are inconsequential. They certainly do not presage a full merger.

For NCB shareholders this is nevertheless good news. Coming after last week's rescue package, this *deal secures the bank's future.* But Japan's other banks should be furious: they are being strong-armed into subscribing to a Y291bn ($2.3bn) capital increase to shore up NCB, only to see a foreign rival creaming off the profits. Worse, NCB's survival, even in shrunken form, helps perpetuate the sector's chronic overcapacity.

Fiat

The so-called clean hands investigations have finally fingered the top brass of Italy's biggest private *industrial group, Fiat. And while* the 18-month suspended sentence for Mr Cesare Romiti, its chairman, will have no immediate impact on Fiat – he retires in June 1998 and his appeal may not be completed before then – it could significantly influence management succession.

The pressure for change is intensifying rapidly. Fiat is a family fiefdom that needs to become a focused and genuinely international car business. The car operations have undergone an astonishing turnaround but the group remains inward-looking, hierarchical and overloaded with non-core businesses. Given the overcapacity in the European motor industry, it needs to be particularly nimble. Italy's incentive schemes for car sales are merely postponing the day of reckoning. But Fiat's poor share price performance through the 1990s suggests little hope that this management will deliver.

The obvious replacement for Mr Romiti would be Mr Paolo Fresco, vice chairman and international deal-maker at General Electric. He is already on the Fiat board, but has the advantage of being an outsider, untainted by *problems* in Italy's corporate past. But until Fiat's controlling shareholders, the Agnelli family and Mediobanca, recognise the need for change, no chairman will have a free rein to deliver shareholder value.

UK savings

To help defuse Britain's demographic timebomb, is more compulsory saving needed? Perhaps it should be no surprise that a new survey suggests big businesses mostly think so. After all, these *companies run pension schemes* already. So they probably believe a new compulsory savings regime would have little effect, leaving their smaller competitors to bear the brunt in higher costs.

But this would not be the whole story. For one thing, compulsion could well require higher pension contributions from even the biggest businesses; in Australia, employers will have to contribute 9 per cent of employees' earnings by 2002, more than many UK companies put in. Moreover, if people were compelled to save, why bother keeping the current panoply of pension tax incentives? A strengthened stick could well be an opportunity to shrink the carrot, driving up employment costs.

That said, the pension underprovision problem cannot be swept under the carpet. And on that particular front, the Conservatives' recent radical proposals will do little to help. They would usefully relieve the fiscal strain of state pension provision. But the state pension's value, as a proportion of earnings, is still set to shrink horribly. As it does, the voices arguing for more compulsory saving are bound to swell. Politicians, of course, will never have much to gain from grasping such a long-term nettle. Yet who knows? As the Conservatives have recently *shown, long-term thinking on* pensions is not altogether dead.

Investment trusts

The investment trust industry is enjoying narrower discounts to net asset value, but this is no excuse for complacency. Discounts have fallen from over 30 per cent in the early 1980s to 10 per cent now – but UK-listed investment trusts *still* trade at £4bn less than their asset value. In part, this reflects ongoing management costs, but it shows little confidence in managements' ability to invest wisely.

The problem is that many core institutional investors have less need for investment trusts – insurance companies and banks now have greater investment expertise around the globe. Moreover, competition will intensify with the expected launch of the open-ended investment company.

The industry has at least spruced itself up. Boards have more non-executive directors and fund managers' contracts with a fund are gradually shortening. But investors should insist on a maximum contract life of two years, and a minimum number of strictly independent directors. Fund managers should also issue funds with much shorter lives. If a fund performs well, shareholders will extend its life – a powerful incentive for the manager. Finally, managers should become more responsive to discounts, looking at ways to buy back shares. Of course, when discounts have narrowed in the past, the market has been flooded with new funds. But if investors take a tougher stance, the flood will be limited. And self-correcting measures will ensure that the discount can never get too wide.

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FT WEATHER GUIDE

Europe today

The Benelux and Germany will be unsettled as a cold front moves rapidly across the area. During the afternoon the front will stretch from northern France towards the Baltics, where rain and sleet is expected.

Northern France will be cloudy with a little rain. The north-west will have some sun, and sun will prevail in the south.

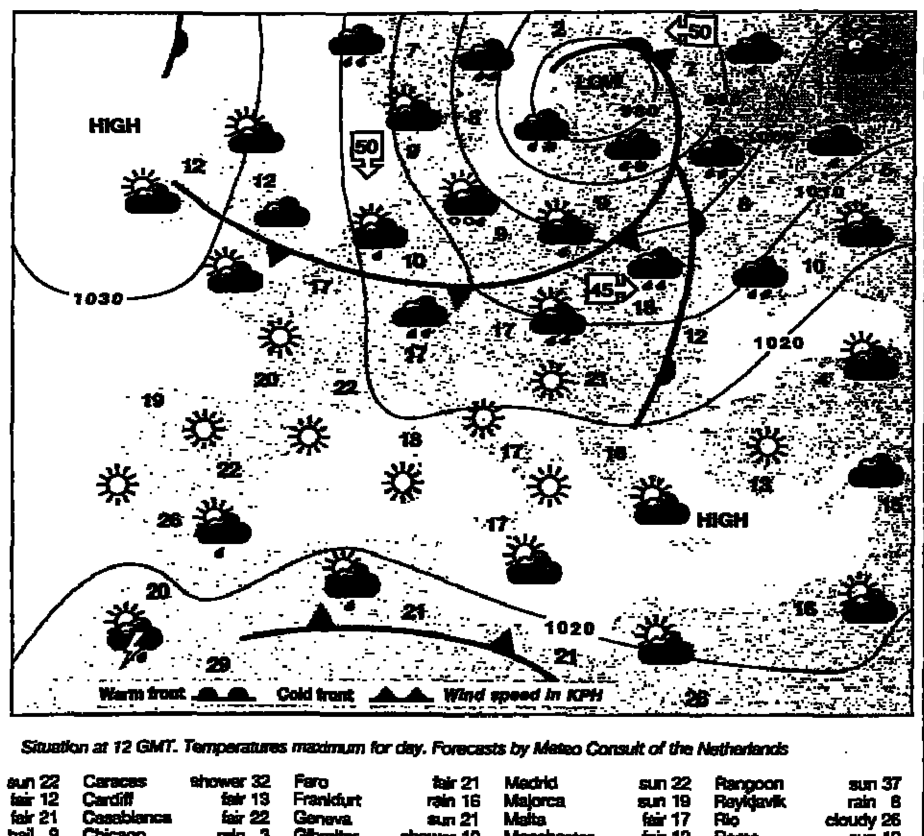
Most of the Iberian peninsula will be sunny, but a shower or two may occur over the southern coast.

The northern Alps will be cloudy with rain or showers, and the southern Alps will be partly cloudy and dry.

Italy will have ample sun.

Five-day forecast

Eastern Europe will continue unsettled, while conditions over western Europe will gradually improve as high pressure over Ireland expands towards France. The eastern Mediterranean will become changeable as disturbances stall over the area.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 22	Caracas	shower 32	Faro	fair 21	Madrid	sun 22	Rangoon	sun 37
	Celsius	Belfast	fair 12	Cardiff	fair 13	Frankfurt	rain 16	Majorca	sun 19	Reykjavik	rain 8
Abu Dhabi	sun 33	Belgrade	fair 21	Casablanca	fair 22	Geneva	sun 21	Malta	fair 17	Rio	cloudy 26
Accra	fair 31	Berlin	hail 9	Chicago	rain 3	Gibraltar	shower 19	Manchester	fair 12	Rome	sun 19
Algiers	shower 20	Bermuda	fair 18	Cologne	shower 12	Glasgow	fair 11	Manila	fair 34	S. Frsco	cloudy 18
Amsterdam	shower 10	Bogota	rain 23	Dakar	sun 25	Hamburg	hail 9	Melbourne	sun 19	Seoul	sun 15
Athens	fair 16	Bombay	sun 33	Dallas	fair 28	Helsinki	sleet 4	Mexico City	shower 25	Singapore	thund 32
Atlanta	fair 21	Brussels	shower 11	Delhi	sun 32	Hong Kong	cloudy 24	Miami	fair 28	Stockholm	rain 4
B. Aires	thund 24	Budapest	fair 15	Dubai	sun 32	Honolulu	fair 28	Milan	sun 20	Strasbourg	drzzl 19
B.ham	fair 12	C.hagen	cloudy 9	Dublin	fair 13	Istanbul	fair 11	Montreal	fair 6	Sydney	shower 20
Bangkok	fair 35	Cairo	sun 18	Dubrovnik	fair 16	Jakarta	fair 32	Moscow	rain 7	Tangier	fair 22
Barcelona	sun 18	Cape Town	sun 23	Edinburgh	fair 11	Jersey	fair 18	Munich	shower 17	Tel Aviv	fair 17
						Karachi	sun 33	Nairobi	fair 26	Tokyo	fair 16
						Kuwait	sun 30	Naples	sun 17	Toronto	cloudy 4
						L. Angeles	sun 21	Nassau	fair 29	Vancouver	fair 11
						Las Palmas	fair 24	New York	sun 11	Venice	sun 17
						Lima	fair 25	Nice	sun 19	Vienna	shower 17
						Lisbon	fair 24	Nicosia	sun 13	Warsaw	rain 9
						London	cloudy 14	Oslo	fair 12	Washington	fair 16
						Lux.bourg	cloudy 14	Paris	fair 17	Wellington	shower 15
						Lyon	sun 22	Perth	thund 22	Winnipeg	sun 4
						Madeira	fair 20	Prague	rain 12	Zurich	sun 17

RECRUITMENT

Richard Donkin meets executive searchers with good contacts in ethnic communities

An edge in the headhunting race

Those who find headhunting distasteful tend to argue that it prises away previously contented executives from their jobs.

But this ability to spread the net across both job-hunting and company-focused individuals is part of the attraction of headhunting. It is designed to seek out the best candidates whether they are contemplating a move or not.

Job advertisements attract only those who are tempted to apply. They cannot find the individual who, for whatever reason, is happy to stay put or who may undervalue his or her particular talents.

There is potential in headhunting, therefore, to promote the careers of people who, because of their particular perspective, may not position themselves well for career enhancement.

Ethnic minorities, for example, have many people with executive skills who too rarely get the opportunity to show what they can do. Juliana Edwards, one of the few black search executives in the UK, is trying to address this problem in a London Docklands-based search firm called Headfirst, which she set up seven years ago when she left Heidrick & Struggles, the headhunters.

She and her co-director Calum Forrest, carry out general searches which, they stress, are aimed principally at finding the best candidate for the job. They argue, however, that good contacts among ethnic communities enable them to tap into a rich and often undervalued seam of talent.

"Our philosophy is to find the best person for the job regardless of their gender or race," she says. One of their finds was Angela Sarkis, chief executive of the Church Urban Fund, the Anglican charity which supports inner-city projects.

Finding such people can be difficult for big headhunting firms, argues Edwards, because few black and Asian people have been able to develop careers in executive search. Headhunting among ethnic minorities in the US, however, has been established to such an extent that some leading search firms have specific departments devoted to finding ethnic minority candidates. The multicultural make-up of US society has encouraged the development of diversity in business to reflect that in the community.

Such policies are now beginning to enter UK personnel departments. Judith Evans, vice-president for equal opportunities at the Institute of Personnel and Development and director of personnel policy at J. Sainsbury, the supermarket chain, says: "I think that many organisations would like to recruit more ethnic minority people into senior positions and have had difficulty finding people, so an opportunity to search among a broader range of candidates than they might normally come across is a good thing."

Some 7 per cent of the 115,000-strong Sainsbury workforce is from ethnic groups, compared with 4.5 per cent across the whole UK workforce. About 3.5 per cent of its managers are from ethnic minorities, mainly recruited in-house, using policies which encourage minorities to step into management. These policies include careers guidance, job shadowing and job "tasting" in which someone can try out a job for a day or two.

The company also recognises the value that other minorities, such as disabled people, can add to a business. The store manager at the New Cross branch in south London, for example, has employed a number of disabled people after discovering that they have proved highly adept at innovating. "Problem solving is a way of life for them and their skills bring an extra dimension to the business," says Evans.

As companies wake up to the need for diversity among their workforces, the search profession should be well placed, because of its approach, to recruit the most talented people from all shades and sections of the community. Perhaps first, however, headhunting firms should strive to develop greater diversity within their own organisations.

Money-back move

Tate Appointments, a London agency supplying temporary and contract staff such as secretaries and clerical assistants, has issued a money-back guarantee to clients if they are dissatisfied with its temporary employees.

It is one thing selling such promises with Mars bars or Marks and Spencer's pullovers, but should they be applied to people? Julia Robertson, Tate's managing director, says that she would welcome M&S principles applied to Tate staff. She argues that such promises will help to drive improvements in employment terms for temps.

The guarantee, she says, will make it incumbent upon Tate to ensure its temps are well trained and efficient workers. But how can the company ensure that its clients provide useful work and good employment conditions? Temporary office workers know only too well that their talents can easily be under-exploited by managers or in-house professionals who are either too busy or who do not know how to get the best out of their staff.

Robertson has a solution here, too. She is offering to supply line managers whose job is dedicated to making the best use of the staff. "We have clients with good working cultures where we think people will have the opportunity to grow in their job. If we have companies abusing these principles we will sack them as clients."

These seem refreshing words in an industry which has too often been content to shed its responsibility for employees within hours of them being handed over.

"Normally agencies say that, if they are not told of dissatisfaction with an employee within four hours of them starting, they have discharged their duty to the customer," says Robertson. Her new policy, therefore, is already making a few waves.

Country life

Having just spent a week fishing in the company of Scottish ghillies – the people who have been looking after salmon rivers for generations – it was noticeable how little their jobs had changed over the years. They work long hours for little pay, depending greatly on the generosity of fishing parties for extra income in the form of tips.

Their pay tends to be pegged to agricultural rates, yet their status in the local community is far higher than that of the average farm worker and their river knowledge makes them the masters of their working environment. I have seen the most exalted of chief executives reduced to the role of novices when casting for salmon alongside an experienced ghillie.

Nor are these people spared the odd rebuke if they lose a fish. It is as if the river has become populated by Bertie Woosters in the capable hands of countrified Scottish versions of Jeeves. The word ghillie is Gaelic for servant. Yet it is difficult, today, to view them as anything other than managers. Many have quite responsible management roles, striving to ensure their parties have a good time and get on with each other.

Robert Greenleaf, the US management writer, described such managers as servant leaders in his 1977 book *Servant Leadership*, and advocated the adoption of servant-like styles in leadership. But maybe it is time proper value was placed upon those who have traditionally acted as servants.

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In addition to sound commercial judgement, interpersonal skills and technical expertise, the candidate must also be able to demonstrate:

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Interested candidates should contact Ian L. Tucker on 0171 491 4650 or write to him, enclosing a full curriculum vitae at, SCI International Group Limited, 21 Arlington Street, London SW1A 1RN. Fax number: 0171 491 4630.

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This is an excellent opportunity to gain a clear overview of retail financial services regulation. Interested applicants should initially contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH for an information pack, quoting reference 343674 or telephone 0171 269 2365. Closing date Wednesday 23rd April 1997.

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To apply, please write with a detailed CV to: Recruitment Manager (Ref: LEAP/1-FT), HSL/3, Shell International Limited, Recruitment Division, Shell Centre, London SE1 7NA.

Alternatively, apply via the internet, quoting the above ref, to:
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An attractive remuneration package commensurate with experience will apply to the above position.

Applicants should forward a full Curriculum Vitae and salary details quoting reference number DB4 in strict confidence to:
James Fitzsimons, Careers Register, 9 Anglesea Street, Dublin 2, Ireland
(to arrive no later than 30th April 1997)
Tel: +353-1-679 8900. Fax: +353-1-679 1970. Email: careers@iol.ie

CJA
RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
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ASSOCIATE DIRECTOR - RISK MANAGEMENT

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Due to the rapid expansion of our client's volume of business we invite applications from candidates who have significant risk management or transaction experience of complex equity, equity-related or project financings with financial services businesses. As part of an exceptionally able team you will work at the forefront of the transaction process with the originators, and will be responsible for the analysis, structuring, review of the financial modelling, negotiation, documentation, closing, portfolio management and ultimately exit. You are likely to have a post-graduate degree in finance or a related discipline and a second European language is highly desirable. There will be frequent European travel. You need to be highly energetic, have boundless self-confidence, keen to embrace change and "do deals", take great responsibility and be able to justify the decisions you take. Attractive package including car or car allowance, contributory pension, medical scheme, large company benefits and excellent international career development opportunities. **Applications in strict confidence, under reference RM6154FT to the Managing Director, CJA.**

Manager – Pension Investment Analysis

VAUXHALL *Vauxhall Motors Pension Fund*

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Part of the worldwide GM organisation, Vauxhall is a leading player in the UK automotive market, with an excellent product line up including many industry leading features. The company is committed to providing superior ownership experience for the customer and its innovative approach to the market has won a number of industry accolades.

They are now seeking a high calibre analyst who desires a challenging opportunity which may ultimately lead to a senior financial management position. Reporting to the Treasurer, the individual will review the performance of the Vauxhall Motors Pension Fund as well as the performance of a number of external investment managers who manage the £900 million portfolio of diverse assets in the company's pension fund. There will be a wide range of responsibilities including providing input into the asset allocation process as well as reviewing investment products and external advisers and liaising with the pension board.

The successful candidate can expect to progress rapidly within the organisation either within the pension fund management function worldwide or within the wider financial management division.

Candidates should be dynamic and ambitious individuals, preferably with an MBA or post-graduate degree and several years of post-graduate experience, including at least three years' experience of the fund management industry. A thorough knowledge of the financial markets and the investment process, including asset allocation, is essential. Individuals should have demonstrated initiative, excellence and personal ownership of responsibility in their current position. A rigorous analytical approach combined with excellent interpersonal skills is essential.

For an initial discussion, please contact Sarah Hesse-Hunter on 0171 269 2314 or Paul Wilson on 0171 269 2312 or alternatively write to them at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649. Please quote ref 343614.

MP

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INSTITUTIONAL INVESTMENT WRITER

"An experienced investment professional is required to join a rapidly expanding Blue Chip Investment Management House based in the City"

Our client is a leading Blue Chip Investment Management House with over $30bn under management. As a result of considerable planned expansion of the institutional business they now seek a high calibre individual to provide a professional investment writing service both to clients externally and to the institutional teams internally.

Reporting to the Head of UK Institutional Client Services the role will involve the production of a wide range of investment material including institutional fund reports, questionnaires and investment briefing summaries, as well as preparing documentation for new business presentations and for visits to existing clients. In addition, the successful candidate will be required to collate and develop investment ideas and stories and, channel them through to the relevant sections of the marketing and sales teams, as well as dealing with ad hoc client queries.

Candidates will have spent several years within a Fund Management house, Stockbroking firm or other Institutional Investment Organisation and will have experience in writing and producing detailed investment material aimed at the institutional market. In addition they will have strong communication and organisational skills and be PC literate.

An excellent remuneration package including significant bonus potential is available for the successful candidate. For an initial discussion in confidence please contact Chris Manfield quoting reference 5525 on 0171 236 7307, or write enclosing a full CV including salary details to Stephens Selection, 20 Cousin Lane, London EC4R 3TE, or fax 0171 489 1130 or E-mail cmanfield@stephens.co.uk

STEPHENS SELECTION

STEPHENS

SIB Investigations

The Securities and Investments Board (SIB) seeks to appoint a high calibre individual to the Enquiries and Investigations department of the Enforcement & Legal Services Division. The Division uses statutory powers, often in conjunction with other regulators, both here and abroad, to detect and deal with cases of abuse, damage and risk to investors.

This is an important position for effective investor-protection. Working with a professional and multi-disciplinary team, you will manage a number of 'difficult' cases, working on your own initiative, concentrating on investigation work, which will involve frequent travel in the UK and consequent litigation. You will co-operate with other regulators and enforcement agencies, including the DTI, SFO, the police, SROs, RPBs and the Bank of England.

Candidates should ideally have a legal/regulatory background with forensic skills, an enquiring mind and the ability to work unsupervised under pressure. The work is always of a highly confidential nature and applicants should display maturity, tact and political sense. Experience of investigative work is essential, together with a general knowledge of the City and related issues.

Interested applicants should in the first instance contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH for an information pack, quoting reference number 343096. Telephone 0171 269 2365.

Closing date Wednesday 23rd April 1997.

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Your Key Investment Bankers.

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A DIVISION OF SWISS BANK CORPORATION

Structured/Acquisition Finance

SBC Warburg is universally recognised as a leading force in global investment banking. The Bank is committed to the expansion of its Banking Finance team, which focuses on executing structured and acquisition financing, as well as restructuring advisory work. The team works closely with the Bank's Corporate Finance Division as well as its clients and relationship banks in the negotiation and syndication of deals. The continued success of the group has created two exceptional opportunities to join this active and highly respected team in London.

Associate

Responsibilities include:

- Negotiation and structuring of transactions with clients, including documentation.
- Working as part of a transaction team, with potential to lead deals.
- Financial analysis and cash flow modelling.
- Research for and preparation of Information Memoranda.

Candidates for the role are likely to be aged between 24-28, with a strong academic track record and possessing 3-5 years experience gained from a well regarded corporate banking environment. Good credit and cash flow modelling skills, self-confidence and strong communication and presentation skills will be essential.

These positions represent superb opportunities to work for a market leader, where individuals will benefit from excellent career prospects and a highly competitive performance linked package.

Interested candidates should contact Mark Pettman or Tim Smith on 0171 269 2472, or write to them enclosing a full curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax number 0171 405 9649. Please quote reference 319813.

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Chief Operating Officer

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THE ROLE

- Reporting to the CEO, a member of the Executive committee and responsible for all financial matters, reporting and control. Focus on profitability, financing, tax and investor relations.
- Full involvement from identification through due diligence, negotiation and integration of new business opportunities across the spectrum of media and communications.
- Provision of commercial and strategic support and direction to Divisional Managers through operational reviews and analysis of market performance.

THE QUALIFICATIONS

- Graduate CA with excellent track record to board level preferably in a substantial newspaper/media or related service group. Ideally had international experience in a global business.
- Technically excellent in finance and IT, but clearly experienced in and motivated by involvement in the organic growth and acquisitive expansion of the group.
- High level interpersonal and communication skills. Stature, energy and commitment to provide real leadership locally and win the confidence and support of international colleagues.

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SIB Senior Executive

Supervision of IMRO and SFA

The Securities and Investments Board (SIB) has the pivotal role of overall manager of the financial services regulatory system. The Supervision of IMRO and SFA Department is responsible for assessing the performance of two self-regulating organisations against the recognition criteria set out in the Financial Services Act and the relevant standards of regulation. It also has an important role in the coordination of SIB-SRO relations.

The Department is looking for a practical and diplomatic individual who will work on cross-SRO issues and contribute to supervisory projects. Reporting to the Head of Department, the role will involve:

- Assessing the integrity and efficacy of procedures, systems and quality controls for SRO regulatory functions.
- Preparing analyses and making judgements and recommendations.
- Building and maintaining effective working relationships with SRO staff.
- Liaison with outside contacts e.g. consultants, trade bodies and government departments.
- Preparation of committee papers, Board papers etc.

Of graduate calibre, the successful candidate will have a relevant career background, for example in management consultancy, corporate planning, or regulation and compliance, and may well have a relevant professional qualification. He/she will have a good grasp of the FSA regulatory system, familiarity with the lines of business regulated by IMRO and SFA and the ability to analyse and assess an organisation in terms of its components, their interaction and their relationship to regulatory objectives and strategy. Good oral and written skills, common sense and the ability to get to the nub of matters are essential.

Interested applicants should initially contact Sue Lintern at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH for an information pack quoting reference 343175. Telephone 0171 269 2365. Closing date Wednesday 23rd April 1997.

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European Bank
for Reconstruction and Development

The European Bank has a unique challenge: to assist the countries of central and eastern Europe and the former USSR in their transition to market economies.

The European Bank supports projects through lending, taking equity positions and providing technical assistance.

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The Bank is looking for a new Head of O[illegible] incumbent is returning to London after [illegible] more than 4 years.

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Main responsibilities will be to: ☐ De[illegible], promoting the Bank and its mission and [illegible] in Russia. ☐ Coordinate and supervise banking tra[illegible] ☐ Maintain and further develop key relationships for [illegible] senior Government officials at federal, regional a[illegible] level in Russia, multi-lateral/bi-lateral donors, loca[illegible] institutions and the business community. ☐ Manage the [illegible]ship with other International Financial Institutions and the representatives of the Development Agencies. ☐ Co-ordinate the analysis on development in the country's private sector and privatisation.

The successful candidate will have: ☐ Fluency in Russian and very good written and oral communication skills in English. ☐ Practical living experience in Russia during the last [illegible] in Moscow. ☐ A degree from a leading [illegible] of education. ☐ At least 12 years' work experience in [illegible] merchant/investment, commercial or development bank, or in a corporation having an EBRD sector [illegible] principal activity. ☐ Strong marketing and representation skills. ☐ Computer literacy.

To apply, please send your detailed CV in English, quoting reference number [illegible] to [illegible], European Bank for Reconstruction and Development, One Exchange Square, London EC2A [illegible].

All applications will be acknowledged. Please help by not telephoning.

Banking Opportunities – Middle East

Excellent Tax Free Packages

On behalf of a number of prominent Gulf based banks and financial institutions, we are urgently seeking energetic and highly motivated professionals for challenging roles within a competitive and dynamic market place.

Corporate Finance Executive

One of the major regional banks seeks to further develop its Corporate Finance capability by the addition of a specialist with strong advisory and execution skills. Candidates should possess a minimum of 5 years' experience within the sector and the products will include private placements, M&A, joint-venture formations and restructuring. Strong analysis and modelling skills are essential.

Project Finance

This leading Gulf based financial institution has an urgent requirement for a highly motivated individual to be responsible for generation, structuring and execution of high profile project finance transactions within the region. In addition to being PC literate applicants must be able to demonstrate proven analytical, technical and negotiation skills.

Unit Head – Financial Institutions

Our client, a prominent regionally based bank, seeks an experienced correspondent banker to be responsible for the marketing of its services to an existing client base in addition to developing new relationships. The role will also include the management of bank risk and therefore a strong credit background will be a definite advantage.

Treasury Marketing

We seek an experienced individual to market a wide range of treasury products to Gulf based corporates and financial institutions. Based at our client's head office in the region, the role will be to develop existing relationships and source new prospects within the GCC countries. Previous experience of the region and a profitable track record are essential.

Financial Control

There is an immediate requirement for qualified accountants with skills in the following areas: management reporting; cost accounting; budget control and accounting policy. These are important roles requiring excellent technical and interpersonal skills and which will make a major contribution to our client's business effort.

Retail Banking

This is an opportunity to join the progressive and evolving consumer banking market place. We seek highly motivated technicians who have expertise in product management and development, market segmentation and service quality. Experience will have been gained within a prime retail banking or financial services environment.

If you are interested in any of these exciting challenges or in other banking opportunities in the Middle East, please send your curriculum vitae, in strictest confidence, to Philip Wright or Brian Jarvis, or telephone for an initial discussion. Devonshire Executive, 7 Birchin Lane, London EC3V 9BY. Tel: 0171 626 2150. Fax: 0171 626 2092. e-mail: exec@devonshire.co.uk

Devonshire *executive*

Equity Research

Developing high-quality research with a global reach

At J.P. Morgan, a leading global investment bank, the continued growth of our European Equities business is creating further career opportunities in research. Based in London, our equity research effort focuses on selected pan-European sectors.

In order to facilitate the continued growth of the department, we are now looking to recruit two equity analysts with a corporate finance/equity research background or exceptional industry experience, possibly gained with a management consultancy. In each case, the objective will be to analyse sector trends, forecast companies' results and, ultimately, make investment recommendations. The ability to prepare models and provide effective marketing support is key and will lead over time to the development of close relationships with fund managers and companies.

ANALYST – RETAILING

With particular emphasis on food retailing, our research effort in this sector is pan-European in its approach and also involves significant liaison with the U.S. and Latin American retail teams. You will initially provide a support function, including financial modelling and written work in response to internal and external client needs. However, it is envisaged that the role will grow, allowing you to make a pro-active contribution and take on significant decision-making responsibilities in the future. Regular interaction with retailers and travel to Europe can be anticipated.

A graduate with a 2:1 degree, you should be fluent in one or more European languages, in addition to English, and have excellent verbal and written communication skills. Your powers of lateral thinking will need to be balanced by an authoritative and assured approach, the stamina to work long hours in order to achieve deadlines, plus the ability to fit easily into a young, enterprising culture.

ANALYST – UTILITIES

Our equity research in the utilities sector will grow as the trend towards privatisation and deregulation in Europe is maintained. The focus is on electricity and water utilities in Continental Europe. We are looking for an eclectic individual who can play a generalist role in providing back-up knowledge and support in response to both internal and external client needs. Over time you will develop your own coverage of companies.

You will need at least a 2:1 degree in a business, economics or accounting discipline, preferably supported by an MBA. Fluency in at least one other language, ideally Spanish or German, is also essential. You will have a high level of self-motivation, excellent verbal and written communication skills and the ability to work effectively as part of a team.

To apply for either of these roles, please send full CV, stating clearly which position you are applying for, to: Cathy Mitchell at J.P. Morgan, Recruitment Centre, PO Box 161, 60 Victoria Embankment, London EC4Y 0JP. Closing date for applications: 16 April 1997.

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- are qualified chartered accountants with previous deal experience in mergers & acquisitions, preferably with a second language.
- may have worked on transactions for quoted groups, a corporate finance department or a venture capitalist; and
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Telecommunications Numbering Expert

ETO European Telecommunications Office

The European Telecommunications Office (ETO), part of the European Committee on Telecommunications Regulatory Affairs (ECTRA), is currently seeking a Numbering Expert:

Responsibilities:

- to undertake studies for the European Union and carry out reports;
- to collect, analyse and compile information from all involved administrations and companies;
- to present results of studies to ECTRA Project Teams and at workshops.

Duties:

- to assist the Head of Numbering in preparing ECTRA positions in European and international organisations for numbering, naming and addressing recommendations and to participate in the work of these organisations.

Profile of the applicant:

- must be a national of one of the 43 CEPT countries;
- must have at least 5 years working experience and university level education, or equivalent;
- must have experience of public policy work in Numbering and Telecommunications, proven analytical skills and the ability to draft concise reports and proposals;
- must be fluent in English and have a knowledge of either German or French.

The post is based in Copenhagen. The commencing salary will be in the range of DKK 414.200 - 503.200 per annum (tax free) based on qualification and experience.

Applications (in English) before 1 June 1997, to the Director of ETO at the following address: European Telecommunications Office, Holsteinsgade 63, 2, DK-2100 Copenhagen, Denmark. For further information, contact ETO by telephone: +45 35 43 80 05 or the ETO Web Site - http://www.eto.dk.

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Foreign & Colonial Group has grown its funds under management in the last 8 years from £2 billion to a figure of £26 billion and is one of the fastest growing investment companies in the UK. It is recognised by senior management that a crucial part of the success behind this growth is effective, efficient and proactive administration. Foreign & Colonial Group are fully committed to this philosophy and are now strengthening their operations department with the appointment of 2 new roles reporting to the Director of Administration.

Head of Performance Measurement

The Role

- Responsibility for all aspects of performance measurement with a brief to create and implement innovative policy for the group.
- Comprehensive evaluation of performance of all products, including analysis of issues pertaining to performance attribution, style and methodology.
- Concise monthly reporting to senior management.
- Supervision of the monitoring institutions.

The Candidate

- High calibre performance measurement professional with first class interpersonal skills and a track record of achievement within the investment industry.
- Pro-active style and strong analytical/problem solving skills as well as good man management ability.
- Creative with energy, ideas, conviction and vision, underpinned by excellent technical knowledge.

Third Party Relationships Manager

The Role

- Management of all issues relating to services outsourced by Foreign & Colonial. Selection of custodians, administrators and other third parties, together with responsibility for negotiation, monitoring and ongoing review.
- Ensure performance standards and IMRO compliance issues are achieved and that best value is obtained from third parties.

The Candidate

- Experienced relationship manager from a competitor institution or a custodian/unit trust company. Must have full knowledge of building and operating SLAs.
- Polished interpersonal skills with the ability to build relationships both internally and externally.
- Highly credible with a strong degree of comfort interfacing with both the most senior custodians and user group level of third parties.

Interested candidates should write quoting Ref: 431, enclosing a full CV to BBM Selection, 76 Watling Street, London EC4M 9BJ including contact telephone numbers. All applicants will be treated in strictest confidence.

76, Watling Street,
London
EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814
E-mail: 431@bbm.co.uk

UK EQUITY ANALYSIS

London

Clerical Medical enjoys an excellent reputation as an investment house with assets under management of some £16 billion. Our recent acquisition by the *Halifax Building Society* will enhance our position as a major force in the investment world.

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A graduate with 2-3 years' experience as an investment or corporate credit analyst, you will be able to display a good working knowledge of accounts and possess high levels of initiative. In addition to a naturally analytical mind, the ability to work confidently with spreadsheets is essential.

At Clerical Medical you will have every opportunity to develop your career further. We are offering an attractive salary, depending on qualifications and experience, plus excellent financial services benefits.

Please write with your full CV giving details of current salary to Nick Morgan, Human Resources Manager, Clerical Medical Investment Group, 15 St James's Square, London SW1Y 4LQ.

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Outstanding opportunities for high calibre professionals with excellent derivatives experience to join one of the world's leading investment banks.

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Working closely with the front office, the equity and fixed income managers will play a key role in developing the risk strategy of the firm. They will be responsible for model validation and ensuring that all aspects of trading risks are properly assessed, managed and understood. They will also have a critical contribution to make as risk advisers, and will recommend trading strategies, markets and products which will enable the firm to improve its risk return trade-off.

These high profile positions will appeal to candidates who have at least five years' experience in a leading financial institution as a Risk Manager or Trader. Candidates of interest will have had significant exposure to either derivatives or arbitrage strategies and display an in-depth knowledge of capital allocation and portfolio theory. They will also be highly quantitative, educated to at least a Masters degree level and will probably have begun their career in a quantitative function. Finally, applicants should also have the ability to establish credibility at a senior level and communicate effectively with the trading desk.

Quantitative Analysts – Equity & Fixed Income

Opportunities exist for Quantitative Analysts who will be responsible for developing the derivatives models for use by the trading desk and the risk management function. Other key responsibilities will include the management of the SFA model recognition process, both for own models and for models produced by other departments; market risk and risk aggregation modelling; and advisory services to the trading divisions regarding their risk strategies. The range of models cover all aspects of our clients' debt and equity business. Candidates of interest will have a first-class academic record and at least a Masters degree with a high mathematical content. They must also have at least two years of experience of derivatives modelling in a leading financial institution and possess strong programming abilities.

These roles represent excellent opportunities for individuals to move into high profile and career enhancing positions with an ambitious and forward thinking investment bank. You are guaranteed a varied and challenging role in a front-line function and the opportunity to contribute to an expanding organisation committed to further growth and development. The remuneration package is first class and is designed to attract candidates of the highest calibre and ability.

If you would like to explore these opportunities further, please contact Karen Gay at Michael Page City on 0171 269 2303 quoting reference number 340150. Alternatively send or fax your CV to her at Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649. All applications will treated in the strictest of confidence.

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- Analyse and interrogate business information. Highlight commercially significant statistics and trends. Recommend viable actions.
- Work proactively with commercial management team implementing business improvements.
- Effectively handle projects designed to make major contribution to advancing the business.

QUALIFICATIONS
- Graduate calibre, qualified accountant or MBA. Upwards of three years' post qualification experience. First-class intellect and aggressively commercial approach.
- Well developed financial analytical skills. Highly computer literate. Expert modeller.
- Driving, energetic and ambitious. Team player. Strong strategic vision combined with excellent understanding of financial management.

Please send full cv, stating salary, ref LG70407, to NBS, 54 Jermyn Street, London SW1Y 6LX

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- Outstanding and unique opportunity to contribute to the School's long-term success, to maintain and develop quality and turnover in an increasingly challenging environment.
- Key tasks will be to champion the School's overall business management with a particular emphasis on strategic planning, to direct effective marketing and revenue development initiatives and to supervise the overall management of substantial non-teaching resources.
- Significant business background with proven finance track record in major blue-chip organisations, preferably at main or divisional board level. Professionally qualified, possibly ACA or MBA. Well developed IT skills an advantage.
- Intellectual strength to develop key concepts and ideas. Self-starter, able to operate with flexibility and stature using broad range of management styles ranging from consultative to directional.
- First class planning and analysis skills are essential. Excellent communicator with all-round interpersonal skills, both verbal and written. Able to generate trust and understanding and relate to all levels of the organisation with credibility.

Please apply in writing quoting reference 1304A.
with full career and salary details to:
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Whitehead Selection
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http://www.gbnet.co.uk/whitehead

Whitehead SELECTION

Hi-Tech
Chief Financial Officer

Cambridge – £50-£55,000+bonus+car

- *Our client is an expanding hi-tech specialist engineering business with several overseas offices. It employs 350 people and has a turnover of £50 million, derived mainly internationally.*
- *An exciting opportunity has arisen for the recruitment of a Chief Financial Officer who will manage a small finance function and be expected to play a key part in the change and development of the business through the provision of pertinent management information coupled with an ability to contribute at a pragmatic, commercial level as a member of the management team.*
- *Candidates should be experienced, qualified accountants, who have gained costing knowledge within a high value, low unit ouput business and have worked within an international environment. They must be able to demonstrate a strong track record in staff management, as well as having sufficient stature and interpersonal skills to build strong relationships within a multi-cultural business. Experience of operating within a rapidly-changing environment would be an additional benefit and the ability to speak German is ideal, though not essential.*
- *Relocation assistance will be provided if appropriate.*

Please send your curriculum vitae with current remuneration details and an explanation of how you meet these requirements to Carrie Andrews, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA112.

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GLOBALLY RENOWNED CONSUMER GOODS COMPANY

HEAD OF FINANCE SHARED SERVICES

c£80,000 sterling equivalent **ROTTERDAM**

Our client is a global consumer goods company with product distribution in 140 of the world's markets. It is a house-hold brand name with advanced product development and performance achievement.

Its passion for winning, combined with serious social responsibility and exceptional performance standards makes it a leader of lifestyle trends worldwide.

As a part of centralisation of logistical and transaction services for Europe, it aims to significantly improve efficiency for the whole of the European operations with the establishment of a shared services centre. This centre located in Rotterdam will be responsible for executing financial processing, cash collection and accounting for $1 billion+ of business annually.

The Role
- Accountable to the US-based Corporate Controller and the three European Regional Finance Directors.
- Responsibility for approximately 35 people.
- Establish a shared services finance unit.
- Provide a quality, high productivity transaction, cash management and reporting service to internal and external customers.
- Comply with all necessary statutory disclosure requirements.
- Provide a 'data-warehouse' of all information to support an SAP based multi-national reporting system.

The Requirements
- Qualified accountant with at least 5-10 years' managing multi-discipline staff.
- Fluent in English and two European languages.
- Knowledge of US GAAP accounting.
- Experience in a high volume administration/billing environment with a strong customer service bias.
- Confident and outgoing personal style, with strong intellect and a proven team member.
- SAP R/3 knowledge preferred.

Please send your CV with current salary details to: Fiona Jobson, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 5278/A.

Alternatively send by fax on 0171-312 3380 or by e-mail to cv@kfselection.com
Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

INTERNATIONAL SYSTEMS AUDITOR

Based Berkshire

[illegible]

The Ocean Group is a leading international provider of integrated logistics, industrial and enviromental services, operating in some 112 countries with over 11,700 employees. Turnover for 1996 was in excess of £1 billion. Ocean's vision is to be a dynamic, successful, professionally managed and financially sound provider of services in markets throughout the world.

The expanding International Audit Team plays an integral part in the continuing process of business change and risk management. Reporting directly to the Head of International Audit, this is a challenging new appointment for an expert systems audit professional to carry out audits throughout the Group's international operations. Through close involvement with senior management throughout the Group, the successful applicant will be responsible for:

[illegible]

Please contact Louis Tomazou (quoting ref: FT0160) [illegible]
Charlotte House 14 Windmill Street London W1P 2D[illegible]
Tel: 0171 209 1000 Fax: 0171 209 0001 e-mail [illegible]

The European Foundation for the Improvement of Living and Working Conditions, an autonomous body established by a regulation of the Council of Ministers of the European Union located in Dublin, Ireland, is organizing an open competition to fill two vacancies and to form a reserve list for

Programme Managers: Research Management

Ref. RM/A7 (94/1;95/1)

The Programme of the Foundation over the next four years will address a range of challenges facing European Society and, in particular, Employment, Equal Opportunities, Health and Well-Being, Sustainable Development, Social Cohesion and Participation.

Further details of this competition are mentioned in the **Official Journal of the European Communities No. C 106 A of 4 April 1997**, which also contains the official application form.

Closing date for applications, preferably by registered post, is not later than midnight on **16 May 1997**.

FINANCIAL TIMES

LesEchos

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OPPORTUNITIES IN LEADING ITALIAN BANKING GROUP

FINANCIAL CONTROLLER
COMPLIANCE OFFICER & INTERNAL AUDITOR

LONDON BASED — ATTRACTIVE SALARIES

THE COMPANY: Our client is a subsidiary of one of the most important banking groups in Italy. Due to internal restructuring and positive growth objectives, our client is now able to offer considerable career opportunities for two key individuals. The London office has 40 people working in an international environment.

Financial Controller Ref: FT3094

THE ROLE:
- monitoring and the supervision of accounting/finance activities
- preparation of budgets, monthly accounts and reports
- responsible for Corporate Tax, VAT and other tax related issues
- reporting of financial/accounting activities to senior management
- liaison with external auditors

THE PERSON:

Suitable individuals will possess the following:
- qualified Accountant (ACA,ACCA or CIMA)
- 3-5 years experience in the banking/financial sector
- staff supervisory experience and/or management potential.

Compliance Officer & Internal Auditor Ref: FT3095

THE ROLE:
- full understanding of the UK regulatory environment
- reporting to the SFA and LSE
- daily monitoring of capital requirements
- to develop an investigative accounting role
- reporting directly to the Chairman

THE PERSON:

Suitable individuals will possess the following:
- qualified Accountant or graduate in Business Administration/Law
- knowledge of SFA and LSE regulations
- 2-5 years experience in an investment bank.

It is essential for both roles that the individuals are dynamic and are flexible. Strong communication skills are a prerequisite and knowledge of the Italian language would be an advantage but not essential.

Both these opportunities offer competitive salaries and benefit packages with international career opportunities.

Please forward your full resumé in the strictest confidence, quoting the appropriate reference number to:
Antal International, Shropshire House, 1 Capper Street, London WC1E 6JA.
Tel: + 44 (0) 171 637 2001 Fax: + 44 (0) 171 637 0949.

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For linguists this is your route from audit to

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These are exceptional opportunities for accelerated career progression designed to attract the most able to gain experience in a challenging international environment and move rapidly into a significant international management role within a period of 18 to 36 months. There are two entry points to the team. Either aged 28 to 32, a linguist (Greek, **Spanish** of particular interest but other European languages including Russian as well as Chinese and Japanese equally valued) qualified with sound "blue chip" audit experience, ideally including some project/acquisition work or mid to late thirties with significant experience where commercial judgement and people skills have been fully developed. You will be based from home travelling extensively as part of a UK based internal audit group - other groups are based in Hong Kong, Singapore, Dubai and Santiago - before moving into an international line role within one of the business units. We will be particularly interested in candidates with experience of working within the **AUTOMOTIVE** or **CONSUMER CREDIT** sectors although this is not essential if you have the skill set and drive required. Inchcape Plc is a £6 billion T/O "blue chip" plc operating in 67 countries and employing 33,000 people. Core business's include motor vehicle distribution (the worlds largest independent representing 38 manufacturers in 35 countries) bottling and distribution of Coca Cola, marketing of world renowned branded goods and automated office equipment and the worlds largest network of ship agencies. Candidates should write to Roger Lilley at the address given below providing full career details and your expectations of the type of job you wish to be undertaking in two years time. An attractive salary and comprehensive employment package will be offered to successful candidates.

Roger Lilley Associates
International Management Recruitment
Redvers House, 13, Fairmile,
Henley on Thames, OXON RG9 2JR

ROGER LILLEY
ASSOCIATES
International Management Search
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FINANCE DIRECTOR

BUSINESS SERVICE SECTOR

SOUTH MIDLANDS — **c. £55,000 + BONUS + BENEFITS**

- £100m plus turnover division of a highly decentralised, quoted group which has grown both organically and through acquisition.
- The energetic Managing Director needs a truly business focused Finance Director to act as his right hand person, to lead and motivate the financial team and to derive full benefit from the recently installed IT systems.
- In addition to the core areas of financial reporting, controls and systems, he/she will participate actively in strategic and business planning, commercial decisions and negotiations, as well as analysing contractual bids, capital investment and acquisitions.
- Graduate qualified accountant, probably aged late 30's, with a record of success at a senior level in a large service sector business, known for its well developed systems and techniques.
- Commercially minded and realistic in approach, he/she will have experience of working as part of a highly motivated team and developing an effective finance function.
- A 'hands on', achievement-orientated individual, he/she must demonstrate clear potential for subsequent career progression.

Please apply in writing quoting reference 1386
with full career and salary details to:
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Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
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EUROPEAN FINANCE DIRECTOR

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GenRad, a listed NYSE multi-national, is a leading world-wide supplier of diagnostic solutions and integrated test measurement for the manufacture and maintenance of electronic products. The Advanced Diagnostic Solutions (ADS) business, with its world-wide HQ and new state-of-the-art manufacturing plant near Manchester, is a pioneer in the field of diagnostics systems for automotive electronics. The electronic manufacturing test systems business, whose production facility and HQ is in the US, provides for in-circuit testing of printed circuit boards and has sales and support offices in several major European cities. The Group focuses on four major core markets; communications, transportation, computers & peripherals, and contract manufacturing. European-based sales are rising rapidly from a current level of circa $100 million. An outstanding EFD is now required to join a focused management team dedicated to growing the business.

The Position
- Accountable to the World-wide CFO, the Global Head of the ADS business and the Head of the European Test System business.
- Direct responsibility for all European finance, tax, treasury and reporting, covering the main ADS office and plant in Manchester as well as the six European Sales and Service test systems offices.
- Four direct reports plus approximately 25 staff.
- Shared responsibility for IT.
- Senior management role with mandate for change, business improvement processes and "bottom line" focus.

The Requirements
- Qualified graduate accountant with 5-10 years' quality experience.
- Manufacturing experience, preferably electronics, essential; Distribution sector, and European multi-site experience desirable.
- Knowledge of US GAAP accounting and modern planning, control and budgeting techniques.
- Analytical, systems skills, TQM commitment.
- A team player, confident, open and outgoing; proactive financial leader, committed to constant improvement.

Please send your CV with current salary details to: Margaret Coulson, K/F Selection, Concorde House, Trinity Park, Bickenhill Lane, Solihull B37 7ES, quoting ref:5307/A. Alternatively send by fax on 0121-782 2524 or by e-mail to cv@kfselection.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

To £ six figure package + options — GROUPE CHEZ GÉRARD — *Central London*

Finance Director

Groupe Chez Gerard, London's leading quoted restaurant company, has radically redefined industry standards for high quality, good value restaurants. Applying professional management and marketing skills to individual brand concepts, such as Chez Gerard, Bertorelli's and Café Fish, the business has built an unparalleled 10-year growth record, whilst maintaining an emphasis on flair and quality. Now comprising 12 restaurants, with a market capitalisation of some £50 million, the group is seeking a proactive Finance Director with a passion for customer service to help drive it to the next level.

THE ROLE
- Plc Board appointment with responsibility for all aspects of financial management. Providing focused, clear information and supporting the restaurants by developing and monitoring non-financial key performance indicators.
- Participating fully in strategic discussions and acquisition reviews, evaluating and negotiating deals. Creating the infrastructure to facilitate the integration of new restaurants and foster organic growth.
- Contributing as an integral part of the organisation, managing 10 staff and forging strong working relationships with colleagues throughout the group. Playing a significant role in communicating with shareholders and the City.

THE QUALIFICATIONS
- Graduate ACA with management reporting, acquisitions, treasury and IT experience in a growing, consumer-oriented service organisation.
- Fast-track performer who is flexible enough to thrive in an entrepreneurial environment, yet has the discipline and rigour imparted by formative years in a structured business.
- Nimble-footed with a sharp intellect and astute commercial judgement. Hands-on and approachable, with exceptional communications skills and a genuine appreciation for the contributions of others.

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Monsanto

South Wales — Competitive packages

Monsanto is a global corporation with interests in chemicals, pharmaceuticals, food ingredients and biotechnology products. The company is currently in the process of designing an independent chemicals enterprise that will be a Fortune 500 company in its own right with about $3 billion in annual sales. As the future focus will be on the highest level of operational excellence and product growth, high-calibre candidates are needed to staff a number of finance functions at the UK plant/headquarters located in South Wales.

Team Leader Financial Reporting

You are responsible for:
- monthly reporting of results (UK, US GAAP)
- preparation of annual accounts
- VAT, TAX returns
- preparing annual budgets & forecasts
- dealing with external sources.

At least 7 years' experience in all aspects of financial reporting procedures in an international commercial environment is essential. **Ref: TL/DW/FT.**

Credit Manager UK

With UK revenue about £60m, you are responsible for:
- credit control for all in UK manufactured goods and sold in Europe-Africa
- treasury operations (bank, forex, insurance)
- cash management including receivables.

5 to 7 years' experience in a commercial or banking environment, of which a significant proportion has been spent in the credit/treasury function, is essential. Non-UK experience would be an advantage. **Ref: CM/DW/FT.**

In both of these roles, partnering with management to interpret, understand and influence decision-making is as critical as functional skills. A qualified accountant, finalist, or with a good university degree, you should be ambitious for an international career, not necessarily within finance, and able to demonstrate an ability to work with people at all levels and a strong business focus. Knowledge of any other European language and knowledge and experience of SAP software would be an advantage.

Competitive packages will be fully commensurate with qualifications and experience. To apply, please send full cv, quoting the appropriate reference, to Derek Wroughton, Executive Search and Selection, PA Consulting Group, Chamber of Commerce House, Second Floor, 75 Harborne Road, Birmingham B15 3DH. Tel: 0121-454 5791. Fax: 0121-454 0656.

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Group Finance Director

M4/M3 CORRIDOR — c£65,000 PLUS BENEFITS

Our client is an entrepreneurial and acquisitive fully listed group, manufacturing proprietary engineering products with operations in most European countries. The Group, which has strong institutional support, is now set for a further period of acquisitive growth.

The Group Finance Director will assume responsibility for all financial management issues and, as part of the small management team, contribute to the definition and implementation of the growth strategy. As the Group grows it will be essential that the Director ensures that the Group's financial management disciplines and controls conform to "best practice" and that at a business unit level there is an appropriate degree of financial accountability. In addition, responsibilities will encompass tax, treasury, legal and company secretarial activities.

Candidates will be graduate qualified accountants with significant post qualifying experience in a professionally managed, acquisitive engineering group. It is essential that the Director is a team player, has the intellectual and personal skills to "think outside the box" and demonstrates a willingness to contribute in the broadest sense to the management of the Group. Drive and a results orientated style, combined with resilience and first class interpersonal skills, will help the successful candidate achieve credibility both inside and outside the Group.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Anne Routledge, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, stating any companies to which your details should not be forwarded and quoting reference AR1249 on both envelope and letter.

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apa

DEPUTY CHIEF EXECUTIVE

c.£40k + pension

We are looking for a talented executive with financial flair to join a lively and committed team of professionals who provide apa with the combined skills to help us achieve our main objective of tackling drug and alcohol misuse nationally. Our headquarters are near Farringdon Underground.

The person must be a qualified CCAB accountant able to combine patience and understanding with firm leadership and financial direction. apa is seeking to make its management information systems more sophisticated whilst at the same time more relevant to managers' needs. The Deputy Chief Executive will therefore make a vital corporate contribution to our valuable work in many projects around the country where over 11,000 people benefit each year from our services. The strategic management of our human resources and fulfilling legal compliance issues form part of the postholder's responsibilities too.

apa is working towards advancing equality of opportunity for all.

HACAS

For an informal discussion please telephone our consultant: Desmond Gray at HACAS Recruitment, 0171 609 9491. An information pack and application form can be obtained from HACAS at United House, North Road, London N7 9DP.

Closing date 28 April 1997. Preliminary interviews: 12 May 1997.

FD DESIGNATE

W. END £70,000 + EXEC. BENS

The UK Finance Director of this major US Retail Group is seeking to recruit a high calibre, qualified accountant who has the potential for advancement to board level within a 12 month period. Previous experience of a retail environment is not essential, however, you should be able to demonstrate a proven track record working within a large 'Blue Chip' commercial organisation. The position will be responsible, not only for the Head Office Finance function, but also for the day to day operations of the UK accounting department. The successful candidate will be expected to make a significant contribution to strategic and other non-finance related matters.

Contact Tracey Alper quoting Ref: TA6542.

FINANCE DIRECTOR

W. END £65,000 + BONUS

This is a high-profile, No. 1 role within a UK operating unit of one of the world's largest Marketing Services Groups.

The UK division has a turnover of c.£50m and has doubled in size in the last 5 years. Reporting to the UK CEO the role demands a hands-on approach and superb management skills as there are nearly 40 staff reporting in to this position.

There is functional responsibility for IT and HR as well as the finance function and experience in these areas, ideally in a media/service company, is desirable.

You should be a qualified accountant with a proven track record of management in a deadline orientated environment.

Contact David Rooney quoting Ref: DR8324.

VP BUSINESS DEVELOPMENT

W. END £60,000 + SHARES + BENS

Our Client, a multimedia organisation, is currently seeking a senior professional individual to join their executive management team.

The successful candidate will be responsible for 45 business units worldwide and will co-ordinate special projects such as setting up new ventures, assessing the viability of corporate functions and MIS strategy reviews/new product launches.

You will have the opportunity to be highly influential in strategic decision making at Board meetings. You will be a top six trained ACA with at least 5 years post qualification experience in a commercial environment.

Contact Rachel Montagu quoting Ref.RM6842.

FINANCIAL PROJECTS

C. LONDON £55,000 + CAR + BONUS

This market leading leisure group seeks a commercially minded, ambitious individual. The role reports directly to the Board but the main purpose of the job is to provide high quality financial support.

Key tasks will be to assess performance against competitors and identify issues, risks and opportunities.

The ideal candidate will be a strong team player with good leadership skills, combined with an ability to listen and a persuasive operating style. Exposure to senior exec/cross function decision makers is desirable. You should also be a qualified accountant and/or MBA.

Contact Sarah Kynaston quoting Ref: SK7439.

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KEY FINANCIAL MANAGEMENT APPOINTMENTS

International Professional Services Firm

Our client is a leading global professional services organisation. Operating worldwide from offices based in over 20 countries, the firm has established itself as a sector leader and is now vigorously pursuing strategies to develop its growth and profile, ready for the challenges of the 21st Century. A critical element of this development is a continuing search for high calibre people to enhance the firm's management capability and there is a requirement to recruit the following key financial professionals.

European Controller
c £60,000 + Benefits
Flexible location

THE POSITION
- *Running the financial management and accounting for the major European* operations based in Germany, France, Benelux, Italy, Spain and the Czech Republic.
- Responsible to the Head of Global Finance for fiscal compliance and implementation of the Group's commercial policies throughout Europe.

QUALIFICATIONS
- Graduate, 'Big 6' ACA/CPA, with first rate technical financial control experience, preferably within an international, possibly US owned, environment.
- Aged early 30's, highly mobile, with the rounded, mature personality capable of dealing effectively within a complex corporate hierarchy. Ref 2191.

Head of Treasury & Tax
£70-80,000 + Benefits
Central London

THE POSITION
- *Global responsibility for the direction of tax planning/strategy and treasury policy,* reporting to the Chief Financial Officer.
- Setting corporate objectives and delivering the optimisation of the firm's increasingly positive cash position, whilst improving global tax efficiency and reducing reliance on external advisors.

QUALIFICATIONS
- Graduate, 'Big 6' ACA/CPA, with professional taxation experience, maturing into a commercial tax and treasury environment.
- A tax specialist, equipped with the personal and professional qualities to establish and lead this important and new function. Ref 2192.

Treasury Controller
c £55,000 + Benefits
Central London

THE POSITION
- *Hands on, direct accountability for cash and liquid asset management on a global* basis, reporting to the Head of Treasury & Tax.
- Development of awareness within the firm of the opportunities presented by efficient, creative treasury management and the delivery of a global focus on cash as an asset.

QUALIFICATIONS
- Graduate calibre, probably with an accounting qualification (possibly MBA), with corporate or banking experience and ACT membership.
- Focused project management and delivery skills, with the personal as well as technical competencies to contribute to a new and developing team. Ref 2193.

Interested candidates should write, enclosing full career and current salary details to the advising consultant, Jon Boyle, quoting the appropriate reference number, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Tel: 0171 292 8300, Fax: 0171 287 5457, E-mail: jon@questorint.com

QI

QUESTOR INTERNATIONAL

PROSPECTIVE PARTNER

To £60,000 + Benefits + Relocation

West of London **M4 Corridor**

The Organisation

Our client is a leading national accountancy practice with an established regional infrastructure of offices throughout the UK. The firm is recognised as a market leader in the provision of innovative and creative services, working in partnership towards its clients' success. The *key to an outstanding record of growth* and profitability has been to apply significant commercial expertise and entrepreneurial flair to the development of its own and its clients' businesses.

To support the firm's exciting growth plans, a unique opportunity has *arisen for an ambitious and highly* motivated individual to join the management team.

The Role

Working alongside the Managing Partner, you will be controlling a quality portfolio of profitable owner-managed *businesses and your* success will be measured by your ability to obtain new business and to add value to existing clients. The portfolio requirements are such that [illegible]

The Person

[illegible]

The Challenge

[illegible] ... limited only by your own [illegible]

To discuss this unique opportunity in more detail, interested [illegible] contact our retained consultant Simon Haynes on 0171 209 1000 [illegible] 0171 249 0867 (evenings or weekends). Alternatively, write to [illegible] curriculum vitae, at FSS Financial Charlotte House 14 Windmill [illegible] W1P 2DY. Fax: 0171 209 0001 e-mail sh@fss.co.uk Ref: FT0099

FSS FINANCIAL

GROUP COMPANY

Consultants in Financial Recruitment, Search & Selection

Recently Qualified

Internal Auditor

London Based c.£35,000 + Car + Benefits

With a growing client base and increasing product portfolio, this hugely successful UK service organisation can offer an ambitious, recently qualified accountant the perfect opportunity to move into the challenging and rewarding commercial sector.

This is a pivitol and wide ranging audit role that will provide a rare insight into all the Group's activities. Reporting to senior management, you will evaluate business areas highlighting internal weaknesses and adding value to business systems and the management of risk. Additionally, you will support line managers with quality advice to aid them in maintaining high operational standards and financial control.

To succeed you will need excellent communication skills, an inquiring mind and strategic vision and be able to demonstrate considerable tact and discretion. Your flexible approach and professional attitude in this high profile role will lead to outstanding career opportunities within two years.

Please write, enclosing a full CV and contact telephone numbers to Patrick Donnelly, quoting reference FT/153.

PD Consultants

23 Durlston Road, Kingston-Upon-Thames, Surrey KT2 5RR.

ALPS RECRUITMENT CONSULTANTS GROUP

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MAJOR INTERNATIONAL GERMAN BANK

Our client has expanded rapidly in London, with plans for further growth and for the introduction of new products. This is a new position as Deputy to the Head of Internal Audit & Compliance, with the emphasis on the audit function, but also calls for the ability to provide cover on the range of compliance matters. The successful applicant will work closely with the Department Head in the preparation of the audit schedules and detailed plans and will supervise and participate in audits, prepare the reports and discuss the finding with management, as well as working on a range of ad hoc audits and special investigations. We invite applications from candidates, either qualified accountants or Institute of Internal Auditors qualified, with 3-5 years' banking audit experience, a knowledge of Bank of England regulations and of treasury and securities trading products, SFA rules and preferably exposure to the German regulatory system. Some Head Office instructions and the audit handbook are written in German and an understanding of the language is required for easing the work flow and for internal communication. **Applications in strict confidence under reference DHIA6167/FT to the Managing Director, CJA.**

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

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Toby Finden-Crofts 0171 873 4027

We are a Polish subsidiary of a major American Multinational Corporation, operating in the Automotive Components industry, manufacturing and selling original equipment to European automotive manufacturers.

We are experiencing rapid growth and this success is expected to continue. At present we are in a start up environment, simultaneously installing computerized *MRP systems, payroll systems and then integrating these into a new Financial* Accounting system. Due to this rapid growth, we are creating a new position of :

FINANCIAL CONTROLLER

Reporting directly to the Plant Manager, he/she will be responsible for the Financial Accounting, budgetary control, cost accounting and capital expenditure control. He/she will have a staff authority for the Financial department and act as a financial advisor providing analysis and financial advice to management and participating in determining the strategic direction of the plant.

We are looking for an experienced candidate who has preferably had exposure to Polish *and US GAAP* reporting in a manufacturing environment. Fluency in English and Polish are prerequisite.

This position, located in Gdansk, offers a significant opportunity for a smart and ambitious individual to rapidly make a major contribution to the development of our business.

Please send your application,
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CIA

UK GROUP FINANCE DIRECTOR

CENTRAL LONDON — CIRCA £90,000 + BENS

CIA Group plc was started in 1976 in the UK and is now the world's second largest independent media agency group with 28 wholly or partially owned offices in 16 countries and affiliates in more than 40 countries. Key group clients are Microsoft, Shell, Visa and Wrangler. Current UK billings are £521m.

Innovative thinking, a can do attitude, robust strategies and hard bargaining have been the trademarks of the company's approach to the media marketplace.

Reporting to the UK group CEO, the position will form part of a four person UK Holdings board.

The role will manage the day to day activities of a centralised finance department running all the finances of 12 companies. This position will provide a proactive, business driven and commercially sound financial perspective to all the operating companies, working in partnership with each of 12 MDs and the other members of the UK Group board. Specific responsibilities will include:

- Leadership, management and development of 50 staff
- Devising/enhancing controls and procedures to ensure that key financial information is always readily available to the Board
- Strategic business planning for existing and future businesses
- Client profitability analysis
- Involvement in commercial negotiations

Candidates will be qualified accountants aged between 33-40. The successful candidate will possess proven leadership and strong team management skills. The ability to multi-task and prioritise effectively is essential. Personal qualities required will include determination, a positive approach to problem solving, close attention to detail while remaining aware of the bigger picture, and the ability to work within and manage complexity. The ability to interact with individuals at all levels and a sense of humour are prerequisite.

Going forward, the role will work closely with the UK Group CEO to develop the Group's billings either by corporate acquisition, organic growth or strategic extension.

To discuss this position in greater detail contact Jon Vonk at **Robert Walters Associates, 10 Bedford Street, London WC2E 9HE.** Tel **0171 379 3333. Fax: 0171 915 8714** (evenings/weekends 0171 720 1527).

ROBERT WALTERS ASSOCIATES

FS30091

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON VIENNA

SENIOR FINANCE OPPORTUNITIES

Pre-eminent Kuwaiti based Conglomerate

The Alshaya Group is a unique Middle East institution by reason of its tenure, geographic spread and dedication to excellence in a number of industry sectors including retailing, real estate development and construction, hotel and hospitality services, building materials, advertising, automotive distributorship and the distribution of consumer products. Its business spans the growing markets of the Middle East and now has some 3000 employees. The retail division is the franchisee for *The Storehouse Group*, Next, *Liz Claiborne*, Oasis, *The Burton Group*, *Laura Ashley*, *River Island* and *Nine West* in most territories throughout the Middle East. It also holds the franchise for *Body Shop* and is the exclusive distributor for *Estee Lauder*, *Clinique* and *Aramis* products in Kuwait. The Retail Group currently owns and operates more than 130 stores in the Gulf region. The Alshaya Group has recently experienced tremendous growth which, combined with aggressive plans for the future, has created two opportunities for real career development in an attractive, tax free environment.

Group Financial Controller – Retail

c $100,000 + Car + Substantial Bonus

THE POSITION

- Reporting to CFO and working closely with Chief Executive of Retail.
- Identify value added opportunities and deliver results accordingly.
- Feedback to the field operations, responsive, up-to-date and prompt financial and management reports.
- Introduce and integrate new upgraded systems and controls.

QUALIFICATIONS

- Qualified Accountant with retail or FMCG experience gained post qualification. Age indicator 35-45.
- Flexible with an open management style. Good communication and presentational skills.
- Able to take relevant and sensible initiatives based on best fiscal practice.
- Strong team motivation added to the ability to take strategic responsibility. Reference 2185.

Group Internal Auditor

c $85,000 + Car + Substantial Bonus

THE POSITION

- Reporting to MD with particular emphasis on the retail and finance divisions.
- Direct team of auditors based across all areas of operations.
- Ensure highest standards of controls to secure corporate assets.
- Provide expert advice for policy initiatives and decisions taken at the highest level.
- Ensure that vital marketing decisions are supported by financial and accounting integrity.

QUALIFICATIONS

- Qualified Accountant, aged 35-45, with significant post qualification experience of retail, finance, consumer durables, consumer electronics or pharmaceuticals preferred from a significant international environment.
- Strong communication and presentation skills. Team orientation.
- Strong minded and capable of robust, independent thought on all issues concerning corporate initiatives and procedures.
- A knowledge of Arabic would be an advantage. Reference 2186.

Both of these positions are based at the headquarters of The Alshaya Group in Kuwait City. The infrastructure is first class with sophisticated educational and medical facilities available. The environment provides a 'life style' to complement these exceptional career opportunities. Initial interviews in London are planned week commencing April 21st with Questor International and The Alshaya Group.

Interested candidates should write, enclosing full career and current salary details to the advising consultant, Richard Wilson, quoting the appropriate reference number, at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Tel: 0171 292 8300, Fax: 0171 287 5457, E-mail: richard@questorint.com

M.H. Alshaya Co. W.L.L.

QI QUESTOR INTERNATIONAL

M.H. Alshaya Co. W.L.L.

Head of Fund Accounting

South East — **Excellent Package**

Our client is a leading US bank with an expanding presence in the UK and Europe. Operating in the fields of Treasury, investment administration and custody services, this organisation has undergone considerable growth, both organically and by acquisition, and has developed an exciting and innovative European strategy.

To ensure continued high standards of client service, a key individual is now required to lead a committed team responsible for providing high quality investment accounting and pricing to a range of clients within the third party fund administration arm of the Group.

Responsible for all aspects of Client Accounting, the successful candidate will be a qualified accountant of graduate calibre with strong leadership skills and extensive management experience. The ability to contribute at a strategic level is essential, as is the ability to interact and present to senior clients.

In return, an excellent salary and benefits package is offered together with opportunities for career progression throughout the Group.

If you are interested in joining a proactive senior management team and have the ability to contribute to an expanding business, please send your curriculum vitae, including your current remuneration details, in strictest confidence to Stephanie Warren, Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Alternatively call her on 0171 269 2336 for further information.

MP
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International Recruitment Consultants
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Financial Controller

MoDo

Surrey — **c £40,000 + Car**

One of Sweden's largest exporters, MoDo is an international forestry products company producing and distributing paper, pulp and sawn timber to a global market. Turnover is £2 billion with 12,000 staff worldwide.

MoDo Merchants in the UK specialises in the distribution of paper to a range of customers from printers and designers to office superstores. It is the fourth largest paper merchant in the UK with a turnover of c£140 million and approximately 280 staff.

Reporting to the Finance Director with a team of 11 staff, the Financial Controller will potentially have the highest profile role outside of board level.

This is a key role in the organisation with full responsibility for financial control, with particular emphasis on cash and credit management. Other areas of responsibility include control of payroll, intercompany dealings and reporting, general ledger control and analysis.

Applicants will be qualified accountants with strong cash and credit management exposure, ideally gained within a high volume transaction business. Successful candidates are likely to be aged between 30-45, PC literate and strong team players with a 'hands on' approach.

Applicants should forward a comprehensive CV, quoting reference 343226, including a daytime telephone number and details of present remuneration to Lee Penycate at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG.

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Threadneedle

Planning and Business Development

City — **£ Excellent + Bens**

Threadneedle Asset Management is a global investment house and a subsidiary of BAT Industries Plc, one of the world's premier business enterprises. With some £31 billion funds already under management, Threadneedle has further ambitious expansion plans in the retail, institutional and international markets. As a consequence, a new position has arisen for an exceptional individual to be the Planning and Business Development Accountant.

The role is central to future strategic growth and the successful candidate will require drive and initiative, together with an ability to apply their accountancy skills in a dynamic commercial environment.

Working as part of a core team, the Accountant will be responsible for developing business plans for new ventures on an international basis and for financial reporting and analysis across the global operations. Candidates must be confident and flexible with an ability to think on their feet and a willingness to travel. They must be problem seeking and solving, have strong communication and presentation skills and experience of working in a team oriented environment.

Candidates will be qualified accountants (ACA preferred) with a minimum of 4 years post qualified experience and ideally previous corporate finance/business planning exposure from industry or practice.

Interested candidates should forward their curriculum vitae to Sarah Hunt, Page House, 39-41 Parker Street, London WC2B 5LH. Alternatively fax her on 0171 405 9649.

MP
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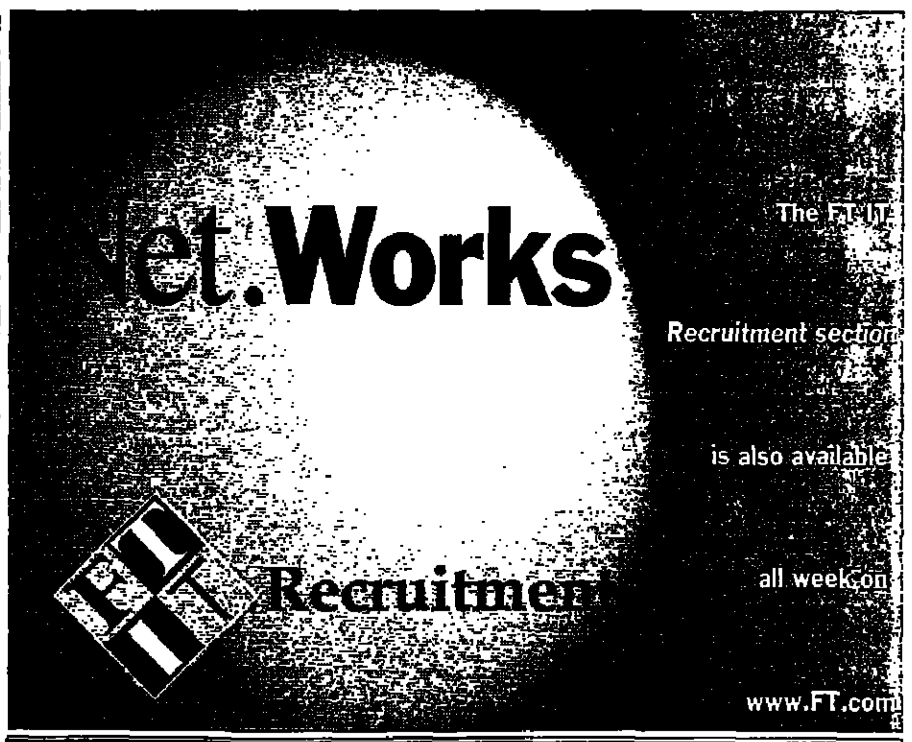

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...is always an attractive position, particularly when offered by an immensely successful, international business which is a real leader in its field. And when the field it operates in happens to be one of the most interesting, forward looking and leading edge business arenas in the world, you do not have a better opportunity to develop a truly international, commercial career. A career which can extend far beyond any former boundaries.

Technology, media, entertainment - enter tax stage left

Traditionally separate business sectors are combining forces to create global media/communication enterprises that can create the products of the future. This is resulting in developments which will fundamentally change the way we all work and play. Such a paradigmatic shift requires flexible and ever changing international corporate structures. Inherent in these is the real need for cutting edge tax advice.

Tax as the starring role

This role will combine managing a communication enterprise's tax affairs globally, with one off, high level assignments. Such assignments will typically be centred on corporate acquisitions, mergers and international restructurings. Above all else the role will involve developing and applying the most advanced tax techniques to some of the most complex business situations in the world.

How to get the part

Whether already a specialist in entertainment, media or communications or a more generalist corporate tax specialist, you will have a track record of providing top quality consultancy tax advice to international businesses. Qualified as an ACA, lawyer or with the Revenue, you will have strong UK tax experience and good international cross border exposure. An understanding of US tax and European language skills would be helpful. Of equal importance to the above will be your ability to inspire confidence - by the combination of a strong personality, presence and interpersonal skills.

And the show will go on

This is a business area which promises rapid and sustained growth well into the next century. For the right person coming on board now, there is a real opportunity to get to the very top of your profession. How many tax jobs can offer you that?

For further information and a confidential discussion, contact our advising consultants, Gavin Burgess on 0171 939 3446 or David Hunter on 0171 939 3661. Alternatively, you can write to them, quoting reference F/1780/FT at the address below:

Executive Search & Selection
Price Waterhouse Management Consulting Ltd
32 London Bridge Street
London SE1 9SY.
Fax: 0171 378 0637.
E-mail: Gavin_Burgess@Europe.notes.pw.com

Career Opportunities in Public Sector Audit

Our client is a public authority in the United Arab Emirates conducting financial audits of government departments and government related organisations. The Authority is seeking to recruit qualified Arabic speaking accountants in the following positions:

- ***Audit Manager***
- ***Senior Auditor***
- ***Assistant Audit Manager***
- ***Auditors***

The ideal candidates will possess the following qualities:

- *keen analytical skills;*
- *ability to identify issues and recommend solutions;*
- *developed awareness for detail;*
- *ability to prepare clear and concise reports;*
- *make effective oral presentations;*
- *plan and conduct audits cognisant of audit risks with due professional care;*
- *able to work as a team member to achieve tight deadlines; and*
- *knowledge of personal computer skills.*

Candidates for the managerial and senior auditor positions must be CA, CPA or CIA qualified. Leadership and human resource management qualities are considered essential for these positions. The likely age of suitable candidates will be 30 to 45 years. Candidates for the managerial positions should have seven to ten years experience, five of which should be in a similar management position. Senior auditors should have a minimum of three years post qualification experience.

Candidates for the remaining auditor positions should possess an accounting degree with at least three years experience. The likely age of suitable candidates will be 25 to 35 years.

Fluency in Arabic and English is a necessity and Middle East experience in public sector auditing is an added advantage.

The remuneration packages offered will be commensurate with the successful candidates' experience and qualifications. The packages will be market competitive for the Middle East. Expatriate benefits including accommodation, leave fares, education allowances and generous annual leave are also offered.

Only candidates who meet the above prerequisites should apply. Please address your current CV with your photo and remuneration expectations before 24 April 1997 to the Director of Human Resources, Ernst & Young, PO Box 136, Abu Dhabi, United Arab Emirates or by fax on 00 9712 722968. Only shortlisted candidates will be contacted.

ERNST & YOUNG

ACXIOM

UK Finance Director

London SE1 **c £40,000 + Car + Bonus + Bens**

Acxiom is an international information management company that provides a wide spectrum of data products, database management services, data warehousing and decision support for Fortune and FT 500 companies.

A leader and pioneer in the US and UK markets, international revenue will exceed $400 million this year with the UK contributing in excess of £17 million. The business is poised for a dynamic growth phase in existing and new markets.

Reporting to the UK MD, this role focuses on facilitating the flow of information and advising line management in business decision making. The role will take responsibility for the control and development of accounting, financial administration and compliance (including US GAAP). Supervising a dedicated team split between two office locations, the role represents an exciting management challenge as a key decision maker on the UK board.

The successful candidate will combine their intellect and communication skills to inspire colleagues and make a direct and substantial contribution to the generation of profits. We require a qualified accountant who will embrace the service culture and thrive in this competitive and rapidly evolving market. An energetic and enthusiastic approach will be given priority over previous directorial experience.

Interested applicants should apply in writing to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Alternatively telephone him on 0171 269 2259.

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Divisional Finance Director

North West **c £50,000 + Car + Bonus**

Renold PLC is an international engineering group, producing a wide range of high quality engineering products and owning manufacturing and merchanting operations in 16 countries.

The gears division comprises 11 business units based mainly in the UK, North America and South Africa, specialising in the design and manufacture of gears and other power transmission products. With a combined turnover of £80 million, they are committed to continuous performance improvement and profitable growth.

Working closely with the Divisional Managing Director, the appointed candidate will

- Contribute to the division's plans and strategies and monitor performance.
- Ensure highest standards of management information, reporting and financial control.
- Provide financial analysis of divisional projects, including acquisitions.
- Develop the financial management resource within the business units.

The candidate will probably be aged 35+, a computer literate graduate qualified accountant, who has had significant exposure to a complex manufacturing environment, preferably with a major international company.

The candidate will have strong technical knowledge and first class communication skills, highly developed commercial acumen and the drive and presence to influence key issues.

This is a senior appointment with an international group and is expected to offer significant long term potential in financial or operational management.

Interested candidates should send their curriculum vitae to Dean Ball at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ quoting ref 327312.

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Enterprise Oil

Group Reporting Manager

Central London **c £50,000 + Car + Excellent Benefits**

Enterprise Oil is one of the world's leading independent oil exploration and production companies. The group has an international portfolio of assets in 15 countries, including substantial businesses in the UK, Norway, Italy and the US and a market capitalisation of over £3 billion. Its success since formation in 1983 has been built on a commitment to quality, encouraging creativity and nurturing an environment which attracts outstanding professionals.

Due to continued growth, Enterprise wishes to appoint a high calibre commercial accountant to join the senior finance team. Reporting to the Group Financial Controller, you will manage a small but high profile head office team responsible for:

- Group financial reporting (under UK and US principles), including advice to business areas on accounting issues.
- Preparation of regular Board reports with objective analysis of group performance.
- Development of the business reporting system and key performance measures.

The successful candidate will be qualified ACA or ACMA with a minimum of five years' post qualification experience and a track record of achievement in challenging roles spanning commercial and technical aspects of finance, although not necessarily within the oil and gas sector. You will be a strong technical accountant with proven analytical skills. An innovative and commercially minded manager, you will also have excellent interpersonal and presentation skills, with the confidence to challenge and influence at the highest management levels.

This is an outstanding opportunity with the potential to have a significant impact and develop your career in a FTSE 100 company.

Interested candidates should send their CV in the first instance to Malcolm Kelly, quoting reference 343876 at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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Financial Controller

New Life and Pensions Venture

Bahrain **US$50,000 tax free + Full Expat package + Bonus**

Our client, a prestigious Middle-Eastern financial institution, is launching a new life assurance company to service the national markets within the region. A team is currently being put in place to establish and develop the new business which plans rapid growth.

They now seek to recruit a dynamic, commercial individual for the role of Financial Controller. This will be a key position as the main financial adviser to the business and will report to the Managing Director.

The Financial Controller will be involved in setting up the finance function in conjunction with other members of the senior management team, developing the necessary management information systems and procedures as well as recommending accounting and financial policies and practices for the company.

The successful candidate will have five to ten years relevant experience in life and pensions with in-depth life accounting knowledge, preferably coupled with international exposure and knowledge of international accounting standards. They will be a qualified accountant/MBA or equivalent, with a professional accounting/finance qualification.

If you are a committed and motivated individual with strong management experience, a business minded approach and the ability to contribute at all levels in the corporate decision making process, please send your CV to Sarah Hunt, Page House, 39-41 Parker Street, London WC2B 5LH. Alternatively, details can be faxed on 0171 405 9649.

Bahrain is a highly modernised country with a high quality of life particularly suited to families. This is a permanent position offering an attractive tax free salary, housing, schooling and other benefits such as annual leave air fares.

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FINANCIAL TIMES SURVEY Friday April 11 1997

INVESTING IN CENTRAL AND EASTERN EUROPE

The sums may still be relatively small, but the pace of investment in the region is speeding up as countries and companies acknowledge the tough rules of the global economy, says **Anthony Robinson**

The flywheel gains momentum

The investment flywheel, painfully slow to start in the first confusing years after the collapse of communism, is gathering momentum. As privatisation and market reforms take root, more countries and companies are gaining international credit ratings and acknowledging the tough rules of the global economy.

The World Bank, in its latest *Global Development Finance* report, notes that Europe and Central Asia saw a $5bn increase in capital inflows last year "thanks largely to portfolio equity investments in stock markets, notably in the Czech Republic, Poland and Russia".

Tracking investment, or anything else in the vast and varied area that constituted the Soviet empire only seven years ago, is an inexact science. But the European Bank for Reconstruction and Development (EBRD) has identified direct foreign investment of $41.9bn in the region as a whole since 1989 and the last 18 months have seen the big turnaround in private investor sentiment identified by the World Bank.

Three points have to be made. The first is that the sums are still small by comparison with the investment flows into Asia and Latin America.

The second is that the process of re-integrating the former Soviet Union into the world economy has hardly begun.

This area, including oil, gas and mineral rich central Asia, has the potential to absorb huge amounts of capital once the conditions are created for funds to be safely and profitably invested.

The third point is that progress remains patchy with a growing gap between those Baltic and central European states which have gained or aspire to investment grade credit ratings, and the rest.

"There are two classes of country. Those who are getting on with it, and those who aren't," says Ron Freeman, outgoing vice-president and head of financial operations at the EBRD.

Russia remains in a class of its own – a giant country of 150m people and a $440bn economy which, as Deutsche Morgan Grenfell recently pointed out, attracted less foreign direct investment last year than Peru – $2.2bn for Russia versus $2.9bn for the Latin American country – and suffered a capital outflow of $22.3bn, 10 times greater.

Low investment helps to explain why the Russian economy stubbornly refused to budge last year, despite macro-economic improvements which cut both inflation and the yield on Russian government bonds.

The challenge facing Mr Anatoly Chubais and Russia's new reformist government is to reverse the haemorrhage of capital from a country which registered a $12.8bn current account surplus last year yet stacked up a $4.1bn increase in external debt coupled with a $3.2bn drop in reserves.

The capital outflow, which grew to a flood before the presidential elections which took place in July last year, appears to have reversed since then. Repatriated funds, albeit under a foreign cloak, could well become the largest single source of finance for Russia's future economic recovery.

However, this depends largely on whether the government succeeds in implementing a Russian version of the stabilisation programme which formed the basis for Poland's economic and financial resurgence seven years ago.

The Russian experience highlights a general principle – that countries which are unable to satisfy the legal, tax and overall investment needs of their own citizens are unlikely to get foreign investors to take their place.

Throughout the former Soviet bloc, the first seven years of transition towards a market system have revealed the deeper damage that was caused by decades of irrational economics, totalitarian politics and absence of law.

The emerging markets of the former Soviet Union are qualitatively different from those in Asia and Latin America which always had markets and the supporting institutions, even if undeveloped and poor.

The former Soviet states now recovering from decades of destructive and demoralising social engineering and extreme militarisation face greater problems in changing mindsets and building institutions even though they start from a much higher level of industrialisation, literacy and educational standards than most "ordinary" developing countries.

This awareness is reflected in the changing approach of the institutions most closely concerned with the area. The EBRD, set up specifically to foster the development of market-based democracies in the region, once used to highlight the opportunities for Asian Tiger growth and investment opportunities in the new emerging markets between the River Oder and the Pacific Ocean.

The opportunities are still there, but the focus is now on redressing the institutional, legal and attitudinal obstacles to realising the full potential of the 26 very different countries in which the bank operates.

"Most countries in the region have dysfunctional market economies and they'll stagnate unless they push through with reforms which improve business standards to the point at which they can operate in global markets," warns Guy de Selliers, deputy vice-president of the EBRD.

"The rehabilitation and restructuring of the banking system and the creation of sound foundations for fledgling financial markets are the two major gaps or flaws in the transition strategy to date," says Salvatore Zecchini, director of the OECD's centre for co-operation with the economies in transition.

The proper regulation of banks and markets is now considered as important a task as setting them up in the first place. Privatisation must not only be speeded up but must also take place in a transparent fashion.

The concept of legally binding contracts and their enforcement needs to be fully accepted if criminality is to be kept at bay. Basic capitalist institutions such as pension funds and insurance companies need to be established to ensure that domestic savings can be channelled into productive investment.

For Russia, and other former Soviet states, a functioning modern tax system, is another key requirement.

These are just some of the key issues that are now being faced. Their resolution could well determine how much investment flows into the region and who gets it.

The investment needed to repair the ecological and other ravages of the old system and permit the former Soviet states to re-integrate into the world economy is virtually infinite.

The World Bank has identified $60bn of essential infrastructure investments which will need funding over the next five years alone. Some of this capital will come from foreign sources but much will have to come from domestic sources.

Even in central Europe, where progress has been much faster than further east, local markets still lack the depth and liquidity for large scale capital raising due to the absence of a broad base of local institutional investors with an appetite for long-term assets such as pension funds, insurance companies and mutual funds.

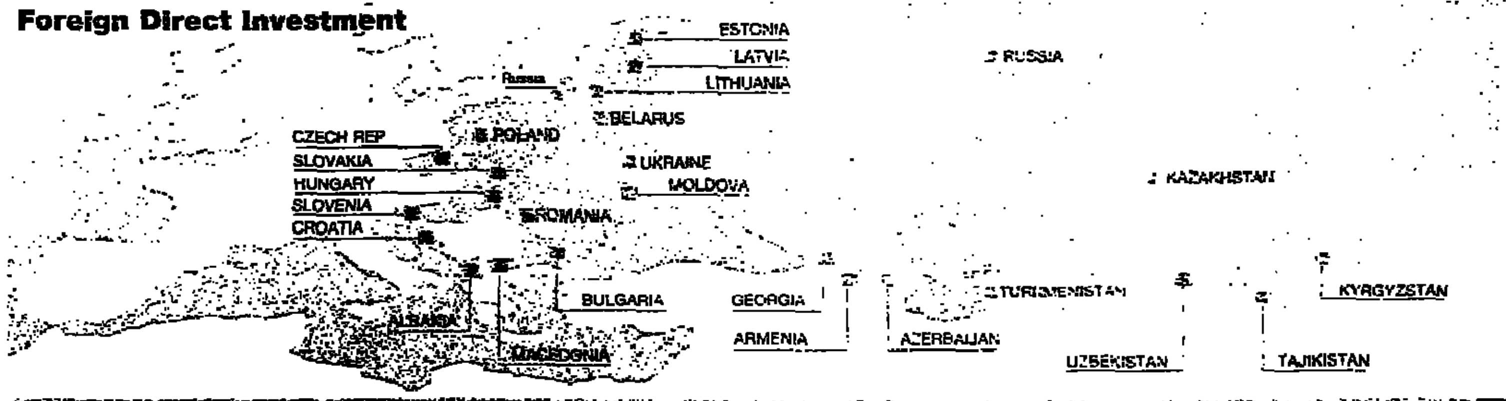
Domestic banks are often without capital and the expertise to structure complex financing packages generally required for infrastructure and other projects.

"Banks in the region are getting better, but they are still lending short-term, because most of their deposits are sight deposits," says Mr Freeman.

"The need is to develop the insurance and pension fund industries to generate longer-term finance and then get governments, the main competitors for funds, to cut their demand for credit," he says.

"The thing to watch in this part of the world is the speed with which the proportion of government bonds raised falls and the rate of corporate lending rises," he adds.

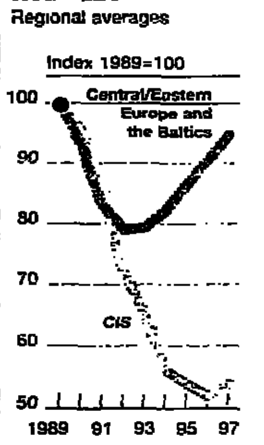
Foreign Direct Investment



Central/Eastern Europe and the Baltics

	Foreign Direct Investment ($m) 1994	1995 (revised)	1996 (est)	Cumulative FDI inflows 1989-96 ($m)	1989-96 (per capita, $)	1996 (per capita, $)	Ratio FDI to GDP (1995)
Albania	53	70	95	295	92	30	3.5%
Bulgaria	105	98	150	450	54	18	0.8%
Croatia	98	81	300	584	118	63	0.5%
Czech Rep.	750	2,525	1,200	6,608	642	117	5.6%
Estonia	214	204	70	707	459	45	5.8%
Hungary	1,146	4,453	1,900	13,266	1,288	184	10.2%
Latvia	155	165	171	585	234	68	3.6%
Lithuania	60	55	80	308	83	21	0.8%
Macedonia	24	14	n.a.	38	18	n.a.	0.3%
Poland	542	1,134	2,300	4,957	128	60	0.9%
Romania	341	367	555	1,434	63	24	1.0%
Slovakia	181	180	150	787	144	28	1.1%
Slovenia	128	176	180	731	366	80	1.0%
	3,798	9,522	7,131	30,708	266	82	2.9%

Real GDP
Regional averages



1996 & 1997 figures are projections

The Commonwealth of Independent States (CIS)

	Foreign Direct Investment ($m) 1994	1995 (revised)	1996 (est)	Cumulative FDI inflows 1989-96 ($m)	1989-96 (per capita, $)	1996 (per capita, $)	Ratio FDI to GDP (1995)
Armenia	3	10	34	47	13	9	0.7%
Azerbaijan	22	275	531	918	123	80	15.7%
Belarus	10	7	18	110	11	2	n.a.
Georgia	8	6	40	54	10	7	n.a.
Kazakhstan	635	723	930	2,751	165	56	3.8%
Kyrgyzstan	45	61	16	132	29	4	3.8%
Moldova	18	72	46	150	35	11	4.0%
Russia	1,000	1,500	1,600	5,100	34	11	0.5%
Tajikistan	12	13	13	56	10	2	n.a.
Turkmenistan	100	100	50	395	99	20	10.6%
Ukraine	91	266	440	1,167	23	9	0.8%
Uzbekistan	85	120	55	342	15	2	1.5%
	2,029	3,553	2,873	11,231	39	14	0.7%

Source: European Bank for Reconstruction and Development

IN THIS SURVEY

PRIVATE INVESTMENT • by Anthony Robinson

Instability proves no deterrent

Investors need faith, wealth and a taste for risk but the potential is enormous

Eastern Europe: public $ eurobonds since January 1 1995

Launch	Issuer	Issue Amount	Coupon	Bookrunner
June 27 1995	Poland, Republic of Poland	250	7.750	JP Morgan Securities
April 25 1996	Komercni BV (in Czech Rep.)	250	7.125	CS First Boston
April 30 1996	Bank Handlowy W Warszawie SA	100	7.000	JP Morgan Securities
June 12 1996	National Bank of Romania	225	9.750	Merrill Lynch International
July 22 1996	Slovenia, Republic of Slovenia	325	7.000	JP Morgan Securities
November 21 1996	The Russian Federation	1,000	9.250	JP Morgan Securities, SBC Warburg
December 5 1996	Vodohospodarska Vystavba SP	200	7.250	JP Morgan Securities
February 6 1997	Croatia, Republic of Croatia	300	6.250	UBS, Merrill Lynch International

Source: J P Morgan

Foreign direct investment has been concentrated on the Czech Republic, Hungary and Poland until now. But low interest rates and fully valued assets in traditional markets, and the enormous *potential for growth in the* more undervalued and obscure transition economies, are luring fund managers and institutional investors deeper into the region, even to the more risky and opaque markets.

Wealthy individuals will*ing to take risks for potent*ially high returns are also being drawn to the region. The Institute of International Finance estimates that $14.6bn of net equity investment has flowed into the region since 1992, of which $10.7bn was direct equity *investment* and $3.96bn portfolio equity investment. Mr Geoffrey Hoguet, president of Creditanstalt International Advisers, which specialises in this sector, says that its New York office alone raised $750m from wealthy inves*tors in the past 18 months* for private equity investment in the region.

Professional investor interest in high risk punts was in evidence at the recent launch by Regent Pacific Group of a $100m Balkan fund – while television *screens* around the world were showing pictures of Albanians firing Kalashnikovs into the air and looting on a heroic scale.

Foreign direct investment, while still small relative to investment in the Asian Tigers and Latin America, remains the region's biggest source of foreign capital.

The European Bank for Reconstruction and Development estimates that $30.7bn flowed into central Europe over the past seven years. A further $11.23bn went to the former Soviet states, of which half went to Russia and a quarter to Kazakhstan.

The pioneers in direct investment were multinationals such as Fiat, Volkswagen and ABB and consumer companies such as Coca-Cola – which were quick to fill the enforced *gaps in their global produc*tion and marketing arrangements. But central Europe's proximity to western markets and relatively high skills for low wages have attracted thousands of smaller and medium-sized European companies, especially private German and Italian companies.

In the German case the rapid growth of private *mittelstand* investment has led to a growing German bank presence, especially in Poland. Elsewhere in the region Dutch, Austrian and US banks have been building up operations. The need to prepare for competition in the banking sector in the run-up to EU enlargement is *increasing pressure on* domestic banks in central Europe to raise the quality of their services.

The pace of financial investment has been closely linked to the privatisation of state-owned assets. The best year was 1995, when $4.5bn in privatisation receipts for Hungary and the sale of a 27 per stake in SPT, the Czech telecom company, swelled *the capital inflow to more* than $9.5bn. Last year the inflow fell to $7.13bn but a new round of privatisation in Poland, where the sale of "crown jewel" banks and companies is under way, should boost the figures this year. Official figures often fail to register investments of less than $1m and underestimate the flow of funds and equipment to the region.

Bond markets are becoming an *increasingly impor*tant source of finance. Croatia, the Czech Republic, Hungary, Latvia, Poland, Slovenia and Slovakia have won investment grade ratings from the international agencies. Others are clamouring for a rating, even *though the outcome will be* well below investment grade in most cases.

Russia has issued dollar and D-mark sovereign loans and markets are braced for a torrent of municipal and corporate borrowers during the year. Ukraine, Kazakhstan and other former Soviet states with big natural resources but depleted treasuries are expected to follow later this year.

The successful rescheduling of $70bn of former Soviet debt last year paved the way for Russia's first $1bn sovereign eurodollar issue. Gazprom followed with its debut on international security markets, a $430m American depositary receipt (ADR) issue. Two other ADR issues are expected this year from Gazprom and other energy and resource companies are *expected to tap the markets* with these foreign-traded share substitutes.

By the time Russia made its debut on the German market last month with a DM1.5bn issue managed by Credit Suisse First Boston and Deutsche Morgan Gren*fell. concerns about the* trend of US interest rates kept some potential investors on the sidelines in spite of a last minute hike in the coupon. Raising capital abroad may be getting more expensive, but it is still cheaper than what is available domestically, and for a longer term. Russian entities plan to raise another $2bn this year.

Much depends on politics, something underlined most clearly when President Boris Yeltsin's purge in early March brought back a reinforced team of economic "liberals" and reassured investors that market-oriented policies and macro-

Albanian rebels: those willing to take risks for high returns are being drawn to the region Reuter

economic stability would be pursued with greater vigour. But evidence of the continuing personal nature of power *in the Russian system also* reminded investors of the unpredictable nature of the biggest – and potentially richest – of the former communist states.

Faith, a long purse and a taste for risk are still required attributes for port*folio investors attracted by* apparently under-valued Russian assets. Meanwhile, the bureaucratic and legal problems faced by the few "hands-on investors" such as AssiDomän, the Swedish paper company which is managing Segezhabumprom, Russia's biggest paper bag maker, help to explain why fewer than 100 of Russia's 15,000 privatised companies have put together joint ventures with foreigners – and why Russia is still a country of capital flight rather than inward investment.

Until now domestic equity markets have been small and speculative. But some are starting to function as useful providers of equity capital to enterprises. But again success is closely linked to the transparency *and efficiency of individual* stock markets and their regulatory regimes.

The main central European stock markets have been strong performers for most of the past 18 months, fuelled by foreign investors and funds seeking higher returns from emerging markets. Baring Eastern European Fund, with $127m to invest, estimates that funds now have between $5bn and $6bn invested in central and eastern Europe.

Warsaw has emerged as the most transparent stock market in the region, and is becoming a regional financial centre, with ING group and Citibank building headquarters in the city. Market capitalisation doubled last year to $8bn and quoted shares on the WSE main *market put on another $2bn* in the first three months of the year, as investors continued to pile in.

Last year Polish companies raised about 1.1bn zlotys ($400m) through capital increases and other public offerings. This is expected to rise *sharply this year*, when 25 companies will be added to the existing 88 quoted companies.

THE EBRD • by Anthony Robinson

Change of pilots ahead

Now a profitable and influential institution, the bank is about to change bosses

"No-one would judge the *performance of a jet aircraft* by its speed and height on take-off," protested Mr Jacques Attali just before he was removed as founding president of the European Bank for Reconstruction and Development four years ago. Today, six years after its creation, the bank designed to aid the transition from central planning to the market economy has *reached its cruising speed*, but is once again about to change pilots.

The bank, which received a vote of confidence in the form of a $10bn capital increase last year, has committed more than Ecu8bn to projects in the region since *1991 with a further Ecu2bn* approved. Last year its net disbursements rose 18 per cent to Ecu1.16bn and some 119 projects worth Ecu2.83bn were added to make a total of 518 projects in 26 countries of operation since 1991.

The impact of the bank is *greater than the bald fig*ures indicate. It was never designed to compete with the investment banks and private sector financial institutions. Its job was to facilitate and participate in deals which were "additional" or pioneering, while applying "sound banking principles" to their execution. It has also become over the years an increasingly *authoritative repository* of specialised knowledge about the region and the problems thrown up by the transition process.

Last year operating profit rose to $97m of which $92m were set aside as provision for possible losses on the *more risky deals. For the* first time, banking operations accounted for nearly half total income compared with 36 per cent in 1995 while expenses were kept at 1993 levels, 10 per cent below the 1996 budget.

Although the 15 EU countries collectively hold a 57 *per cent stake in the bank*, the US government is the largest single shareholder and insisted from the outset that it should concentrate on assisting the private sector. The deal which set up the bank sited the new institution in London but agreed that a Frenchman would hold the presidency and an American the top investment banking role. Mr Ron Freeman, a former Salomon Brothers banker, was appointed vice-president in charge of this area.

In 1993 the investment and development banking operations were merged. Mr Freeman chairs the regular Friday operations committee *meetings which decides the* fate of all projects and keeps him in close operational contact with continuing and projected deals.

Mr Freeman is about to be replaced by another American banker, name unknown at the time of writing, while the mandate of Mr Jacques de Larosière, the former president of the IMF who replaced Mr Attali in 1993, expires in September, although he is pondering a request from the EU's Ecofin committee of finance ministers to stay on for another term.

The bank in its current shape has 67 per cent of its deals in the private sector, and Mr Freeman, in an interview before the AGM, argued that one of the main functions of the bank had been to initiate new borrowers into the arcane arts of borrowing and paying back and the other rules of the capitalist game. "We are like a military academy, a *sort of financial boot-camp.* If you graduate as a borrower from the EBRD it shows you have learnt the drill. After that you can go to any body – commercial banks, insurance companies, funds and go for floating-rate, fixed-rate, whatever," *he says. "Borrowers some*times complain that it was easier to get money from Merrill or JP Morgan than it was from us. I smile and say 'that's great', it means we've been doing our job," he adds.

"Our game plan has been *to accelerate the education* process, insisting on good corporate governance, international accounting standards and the fulfilment of contractual obligations. If you do all the things you have to do, you get the money. If not, you don't."

The learning curve has been steep, but rapid. "Seven years ago there were no maps and phone books – now they throw mobile phone, home and fax numbers at you, everyone is wired. Information that would put you in Lubyanka *is now available by the* truck-load," he says, throwing over a Gazprom loan prospectus two inches thick.

There have been set-backs. Albania for example, made extraordinary progress from a virtually zero starting point until the wheels came off three months ago. "We were doing fine in Albania until pyramid schemes were permitted to advertise on TV and proceeded to steal the savings of innocents," he says.

As a parting shot, Mr *Freeman suggests that the* European Investment Bank should play a bigger role in financing the heavy infrastructure projects which lie ahead as EU enlargement becomes a reality. "The EIB... has the longer-term funds needed for infrastructure investment. Many of its senior people have worked at the EBRD and we would welcome a closer relationship," he says.

CENTRAL EUROPE • by Anthony Robinson

Hopefuls join EU queue

Views are mixed about the selection of candidates for early membership

The name of the game for central Europe over the next few years is European Union enlargement. The Czech Republic, Hungary and Poland, already members of the OECD, are expected to be in the first round of new entrants around the turn of the century.

Many investment decisions will hinge on the timing and conditions attached to entry. Aspirant members hope the run-up will spark off the kind of inward investment boom which southern European entrants such as Spain and Portugal enjoyed before their entry.

The view ahead is still cloudy, however. This is largely because the timing *and modalities of entry are* all hostage to fortune in the shape of the Inter-Governmental Conference.

Until existing member governments finish their own review of the Maastricht treaty and decide on crucial new voting rules and *budgetary policies they can*not focus on enlargement, the next big task ahead. If European Monetary Union, which is due to start in 1999, were postponed there could be slippage in the start of EU enlargement negotiations.

Views are mixed on which *countries should be included* in the first round of negotiations – or whether the EU should start negotiations with all 10 – the Czech Republic, Poland, Hungary, Slovenia, the Baltic states, Slovakia, Bulgaria and Romania – at the same time, as France has proposed.

Slovenia, small and relatively rich, is well placed. Slovakia lags because of the idosyncratic political style of Mr Vladimir Meciar, the prime minister. The Baltic states, with Bulgaria and Romania, have a strong *political claim. But the EU* has never taken in more than three countries at a time.

The fear of the front runners is that a "family photograph" start to negotiations could slow down the entry of the fleetest of foot without advancing the cause of the laggards.

Each country has to be considered on its merits, and there are considerable differences even among the three front runners in spite of the superficial similarity of the *policies pursued by all the* transition economies.

Poland, for example, has been slow to privatise and was treated warily by *for*eign investors until it rescheduled its foreign debt in 1994. Since then foreign investment has virtually doubled every year, attracted by low production costs and a 39m strong market.

The early dearth of foreign *investment was compen*sated for by an outburst of private enterprise which rapidly led to the creation of more than 2m private companies and provided much of the impetus behind the past three years of 5 per cent to 7 per cent annual growth.

Some of these companies are now medium-sized enterprises quoted on the Warsaw stock exchange, which has carved out a reputation as the most transparent and efficient in the region.

Polish banks – after a shaky start with the spectacular Art-B bank scandal in 1992 – have run fast to keep up with growing competition from foreign banks and the increasingly sophisticated demands of the most entrepreneurial private business customers in the region.

The slow pace of privatisa*tion means that Poland*, unlike Hungary or the Czech Republic, still has most of its "crown jewels" to privatise. That process is about to take off this year, when the government proposes to privatise significant stakes in Bank Handlowy, Polska Miedz, the copper miner and refiner, LOT, the state airline, and start a long-delayed privatisation of utilities by offering a stake in Polska Telecom. Other assets worth several billion dollars are on the block, or will be soon.

Hungary, with only 10m people, has attracted more foreign investment than any*where else in the region* because it was seen as the country with the greatest financial sophistication and, above all, offered the greatest degree of legal protection and investor comfort.

The bulk of its most attractive assets, including banks, power utilities and *telecoms, have already been* sold off, mostly in the past two years, when cash privatisation was a central element in a heroic re-adjustment process embarked on in March 1995 to stave off a looming domestic and foreign debt crisis.

The World Bank, which recently approved a $225m enterprise and financial sector adjustment loan to finalise enterprise and banking sector reforms, noted that the socialist government's drastic action had reduced government expenditure by 10 per cent of *gross domestic* product and cut the budget deficit to 4 per cent, excluding privatisation revenues.

A combination of debt reduction and higher export revenues cut Hungary's ratio of external debt to exports from 260 per cent at the end *of 1994 to 160* per cent by the end of last year.

Transformed debt ratios have turned a vicious circle into a virtuous one, enabling Mr Gyorgy Suranyi, Hungary's central bank governor, to refinance the foreign loan portfolio and borrow domestically at cheaper rates.

The price of the shift of resources from private and social consumption to export and debt repayment was a 15 per cent fall in real incomes and much unhappiness. Further reform of the social security and pension system lies ahead. But competitivity has been transformed, productivity has risen dramatically *and the $15bn of foreign* investment is now showing up in greatly improved telephone, banking and other services and new export-orientated plants.

The political bravery of the socialist government led by Mr Gyula Horn has set the scene for a solidly based *recovery in output*, incomes and consumption which promises sustainable 5 per cent to 6 per cent annual growth.

It is a very different picture in the Czech Republic where, with the benefit of hindsight, it is possible to *identify deep flaws* in the mass privatisation by coupon programme and the consequences of the prime minister's reluctance to recognise the importance of well-regulated and transparent financial markets.

The problems are being *belatedly addressed follow*ing a series of worrying bank failures and investment fund scandals. These revealed the dangers of the often incestuous relationship between banks, investment funds and the enterprises controlled by them, indebted to them, or both.

The slow pace of restructuring in much of heavily indebted Czech industry, *coupled with rising labour* and other costs, has lead to a downgrading of overall GDP growth expectations to about 4.5 per cent this year.

Another indicator of declining Czech competitivity is to be found in the rapidly growing trade deficit. Rising deficits are a fact of life in most of the transition economies, with the signal exception of Russia, with its big energy exports.

They are easily financeable by current levels of capital inflows. But the argument that higher imports reflect rising investment is more convincing in Hungary and Poland than in the Czech Republic.

Prague has avoided the "shock therapy" approach of its neighbours but a similar kind of shake-out is looking increasingly necessary.

A Budapest bank queue: Hungary, already a member of the OECD, is likely to be in the first round of new entrants around the turn of the century Kester Eddy

THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT • by David Buchan

New relevance in a changed world

The OECD is responding to expansion with country-specific projects

The Organisation for Economic Co-operation and Development has made a big effort to help eastern Europe – and in the process the Paris-based club of market economies has shown some of the doubters among its members that it has a new relevance in a changed world.

Into the OECD have come the Czech Republic (December 1995), Hungary (April 1996) and Poland (November 1996). Slovakia might join next year and Russia might follow in the near future.

The issue of new members and of the criteria for joining will figure high on the agenda of the OECD's annual ministerial meeting next month.

Within months of the collapse of communism in eastern Europe the OECD set up its Centre for Co-operation with Economies in Transition (CCET) in March 1990. This centre, with a budget of FFr93.5m to fund work of about 90 officials, gives technical assistance to 11 eastern European countries, to 12 former parts of the Soviet Union, and to Mongolia and Vietnam. The most intensive help is in the form of country programmes in three categories:

- The Partners in Transition (PIT) programme was set up in 1991 for Poland, Hungary and the former Czechoslovakia, to prepare them for OECD membership. All are now in, except Slovakia, where doubt about the solidity of democracy and difficulties in meeting membership criteria have slowed entry negotiations.
- The Russian Federation programme, set up in 1994. It is almost as extensive as that of the PIT countries and covers more than 20 policy areas, but has not so far been oriented to preparing Moscow to meet OECD membership criteria such as removal of foreign exchange and capital controls.

This may change. Russia applied to join in May 1996, a move supported by the US and some of its allies, which want to soften the psychological blow of Nato enlargement by bringing Moscow into economic bodies such as the G7 and the OECD.

- Bulgaria, Romania and Slovenia also have country-specific programmes. Again, these are not tailored to eventual OECD membership, but could facilitate efforts by these countries to join the European Union. So far, all EU states belong to the OECD.

Unlike the International Monetary Fund, the World Bank or the European Bank for Reconstruction and Development (EBRD), the OECD dispenses advice alone, and it is much harder to evaluate the "return" on advice than on money. "But we think we can claim some credit for the better performance of the leading eastern countries," says Mr Jean-Pierre Tuveri, deputy director of CCET.

Initially much of the advice focused on the development of the legal and institutional framework in eastern European countries, which were helped to prepare new laws on privatisation, bankruptcy, competition, tax, environment, labour market and social issues. But many east European countries are now focused on joining the EU and are harmonising their laws with EU directives. Their legal dialogue is "now more with Brussels", says Mr Tuveri.

CCET is as active as ever in the wider field of helping east European administrations formulate and implement policy across a range of areas, and of training their officials. On policy, the OECD's most visible means of persuasion is its published economic reports on a country, followed up with seminars in the country concerned.

Mr Tuveri says: "Here we have an advantage over the IMF, which does not publish its reports; over the World Bank, which only publishes occasional reports – and then usually only on sectors where it is lending; and over the EBRD's annual report, which covers all countries".

Mr Satish Mishra, a former World Bank economist who heads the east European part of CCET, adds that unlike the World Bank or EBRD, which need to systematise their lending, "we can explore more options because we don't have to put everyone in the same framework".

In training, the OECD has made a priority of tax, using its Paris-based officials and those from member countries. It has four centres – in Ankara (international and domestic tax) for central Asian and trans-Caucasian countries; in Budapest (domestic tax) for east Europe; in Copenhagen (international and domestic tax) directed at the Baltics and Russia; and an operation in Vienna in conjunction with the IMF, World Bank and the EBRD.

Nowhere is the tax system in more disrepair than in Russia. But Mrs Alexandra Trzeciak-Duval, the CCET official in charge of Russia, says: "We are getting increasing co-operation from Russian institutions, like the central bank and the finance ministry, as they begin to understand the OECD better".

The Russians, she says, like the fact that several economic models are represented within the OECD, which is therefore not trying to ram one recipe down Russian throats. Nor is there the tension that comes in the loan conditions negotiated with other western institutions.

In contrast with much of eastern Europe, which is aligning itself with Brussels, Russia is still taking input from the CCET, Mrs Trzeciak-Duval says – in training and in preparing laws and policies ranging from investment and tax to education and agriculture. With training, "unlike the Fund and the Bank, we get Russians to do a lot of work themselves. In this way we transfer lots of useful tools to the Russians and so intensify our co-operation".

In spite of its relatively small resources, the OECD has been active on the ground. It has helped convert Zhukovsky, a city near Moscow that was once heavily dependent on defence, to the civil sector, and aims to do the same at a former secret military city near Tomsk in Siberia.

The border dividing what was once Czechoslovakia: Slovakia might become a member of the OECD next year Colin Beere

EUROPEAN INVESTMENT BANK • by Lionel Barber

Crucial supporting role

Talks on EU enlargement will involve both diplomacy and hard bargaining

In less than 12 months the European Union will launch the historic process leading to the admission of new members among the reform democracies of central and eastern Europe.

Enlargement negotiations will involve high diplomacy and hard bargaining well into the next century. But in the background one institution – the European Investment Bank – will play a crucial supporting role.

For more than 40 years since its creation as part of the treaty of Rome, the EIB has specialised in long-term lending to support large-scale capital projects fostering economic integration in western Europe. But its "out of area" operations have expanded steadily, especially in post-communist central and eastern Europe.

Mr Wolfgang Roth, the EIB's executive vice-president responsible for the region, says the approach is straightforward. "We look at central and eastern Europe like the weaker member states of the European Union. That means supporting infrastructure such as roads, railways, energy, and especially the environment."

Between 1990 and the end of 1996 EIB lending reached almost Ecu5bn in 11 countries: Albania (Ecu46m), Bulgaria (Ecu286m), the Czech Republic (Ecu992m), Estonia (Ecu68m), Hungary (Ecu872m), Latvia (Ecu31m), Lithuania (Ecu101m) Poland (Ecu1.406bn), Romania (Ecu475m), Slovakia (Ecu353m) and Slovenia (Ecu150m).

Examples of EIB-financed projects include an Ecu60m loan to upgrade Bulgaria's air-traffic control system; an Ecu80m loan to finance an oil pipeline between the Czech Republic and neighbouring Germany; an Ecu90m loan for the Ljubljana-Celje motorway in Slovenia; and two loans of Ecu230m and Ecu320m to improve and expand the telecoms network in Hungary and Poland respectively.

With the exception of Albania, all of these countries have applied for membership of the EU. But some are more economically advanced than others, raising delicate questions ahead of the EU summit in Luxembourg in December, when EU leaders are expected to select candidates with which to open accession negotiations early next year.

There is a risk of new dividing lines being drawn across Europe if the selection process in eastern enlargement is mismanaged. The EIB has a vital role because it pursues an inclusive approach based on objective lending criteria that have been rigorous enough to maintain the bank's Triple A rating in central Europe, says Mr Roth.

Under a new mandate from EU governments covering 1997-99, the EIB is to provide another Ecu3.52bn to the 11 central and eastern European countries, to be topped up with a "pre-accession" lending facility to support those countries with which the EU formally opens accession negotiations.

The new facility will be along the lines of financing made available to Greece, Spain and Portugal when the EU opened its doors to the "Club Med" countries in the 1980s. The idea is to encourage private investment to piggy-back on the prospect of EU membership to speed economic transformation.

In addition to the EIB's pre-accession facility, the European Commission has announced a further reform of the Phare aid programme to central and eastern Europe to support more infrastructure projects.

Mr Roth believes there should be no upper limit on the pre-accession facility. Setting a ceiling would encourage "indicative planning" where money is spooned out to countries without regard to the merits of individual projects.

Much better, Mr Roth says, is to offer a bigger role to private banks, which can subsequently assume responsibility for supporting EIB guarantees, rather than relying on governments.

Private finance is playing a bigger role alongside the EIB in central and eastern Europe, a trend reinforced by the fact that German bankers are coming back into the market and the presence of other pathfinders such as ABN Amro.

Last month an international syndicate of 11 European, US and Japanese banks agreed to guarantee an Ecu70m loan to Slovenske Elektrarne, the Slovak power utility, for new boilers, steam turbines and a cooling system at the power plant in Vojany in eastern Slovakia. Similar projects are under way in the region.

The EIB also wants to back joint ventures with EU partners and direct investments by EU companies. Often this means the EIB offers lines of credit to local banks to support small and medium-sized projects which on-lend the funds in smaller amounts. The EIB finances up to 50 per cent of a project.

Mr Roth, a former leading member of the German Social Democrats, wants the Bank to support larger industrial projects, say, in the automotive industry where central Europe's lower wages and engineering skills could offer competitive advantages. But he acknowledges such lending would be politically sensitive.

"Exports [from central Europe] would also mean workers in western Europe losing their jobs," says Mr Roth. "On the other hand, poorer people want to buy cheaper products. What we really must do is look at the division of labour in Europe."

Throughout the process of restructuring the post-communist economies the Luxembourg-based EIB has worked closely with the London-based European Bank for Reconstruction and Development. In spite of initial fears of an overlap, the co-operation appears to be working well.

About 36 common projects are under way. The EIB offers lending at slightly more favourable rates than the EBRD, usually on bigger projects. The EBRD is more like an investment bank, with strong consulting advice. Mr Roth, committed to uniting the the continent, allows himself a small joke: "The EBRD gives good advice but has no money, while the EIB does not give enough advice but hands out lots of money."

DEVELOPMENT AGENCIES • by Gerard Baker

Wrapped in controversy

The problem of gauging the mix of carrot and stick is a continuing constraint

The past year has been a curiously difficult one for the Washington-based development agencies, on whose activities in the transition economies of eastern Europe much private-sector lending depends.

The International Monetary Fund and the World Bank have previously been criticised for imposing overly-austere economic adjustment programmes on the countries to which they lend.

The problem of gauging the mix of carrot and stick to encourage sometimes reluctant governments to accelerate reforms has been a continuing constraint.

But the biggest criticism to echo around the bank and the fund in the past year has been a different one – the allegation that the IMF was too lenient in allowing a government to flout the criteria it set for one of the biggest loans it has ever advanced.

Last spring the fund launched a \$10bn three-year facility for the Russian federation. It was tied to the usual tough requirements of budget deficit reduction, structural reforms and measures to tackle inflation.

But the arrangement seems to have produced more controversy than reform over the past year. The fund's fiercest critics say it went soft on Russia in an attempt to assist president Boris Yeltsin's re-election last summer.

The loan went ahead in spite of the failure of Mr Yeltsin's government to meet many of the targets set. Worse, when Mr Yeltsin promised unplanned spending in his election campaign, the men from the fund stayed mum.

Although the IMF denies that it was more lenient on Russia than it has been to other countries, it is hard to avoid the impression that the IMF's major shareholders – the US and Germany in particular – did not want to run the risk of pressing Russia too hard and prompting the election of one of Mr Yeltsin's harder-line rivals.

The incident has detracted from the fund's broader efforts in Russia and the rest of eastern Europe. It has made it much harder for the IMF to extract commitments from the Russian government.

The fund has repeatedly delayed disbursements of the loan pending improvements to the chaotic tax collection process in Russia, but few doubt that it will be fully disbursed, whatever happens.

The issue has prompted bitterness among other eastern European governments, some of which have made painful sacrifices and got far less favourable treatment. And – perhaps most important – it has dented the confidence of foreign private-sector investors in Russia, who look to the fund to force fiscal and monetary discipline on recalcitrant governments.

Meanwhile, both the IMF and the World Bank have tried to continue in the past year their delicate balancing act of providing enough support to the transition economies to enable them to continue the process of developing free markets, without overlending in a way that might encourage fiscal laxity or crowd out the private sector.

The World Bank has continued to step up its involvement in the region, although it remains small. Between 1992 and 1996 cumulative lending commitments to the countries of the former Soviet Union reached \$20bn. Annual lending went from zero in 1992 to about \$3bn in the past two years.

In line with the bank's continuing revision of its global strategy, the aim of the funding has been to improve the climate in the eastern European economies to make them more attractive to private investors.

The bank's long-term aim is that its role should gradually be assumed by private money and foreign equity. Some of the more advanced economies have started to attract private capital in this way. Hungary, Estonia, Poland, the Czech Republic and Slovenia have been frontrunners – but the rest have some way to go.

The bank has concentrated on two areas – investing in physical infrastructure and complementing the IMF's efforts to support structural change.

Privatisation, encouraged by the bank, has been fitful. While the bank's efforts stalled in Belarus, after initial setbacks in Ukraine, the process is back on track and its lending to Ukraine is expected to reach \$1.5bn this year.

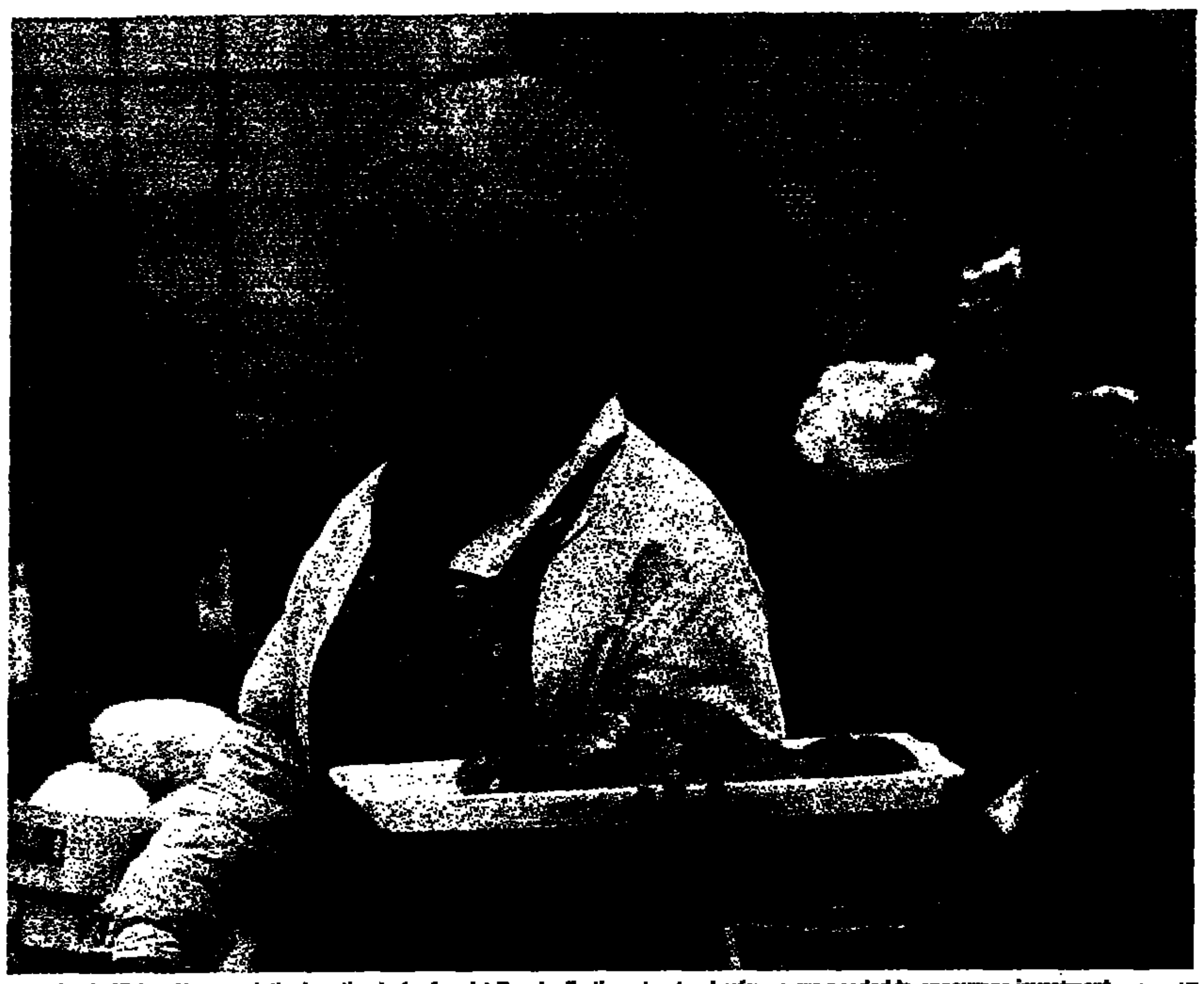
In spite of the IMF's difficulties in Russia, the bank has encouraged reform in some areas, notably in the operation of fiscal policy, although there have been considerable setbacks in others, especially agriculture.

In countries which are further down the path of reform, efforts have focused on ensuring the sustainability and efficiency of public finances and on involving the private sector in infrastructure investment and environmental protection. The bank also started work in the past year on implementing its \$5bn emergency reconstruction programme in Bosnia and Herzegovina.

Some big challenges remain in the less advanced countries, however. Worsening poverty in many countries has forced the lending institutions to focus more effort on social assistance programmes.

Rationalising unprofitable large enterprises continues at a slow pace, stymied by political difficulties. And improving the operation of financial markets has been a thorny problem. In the past banks relied heavily on lending to loss-making but protected state industry. Restructuring those industries without prompting a banking collapse is proving difficult.

In a speech last November Mr Johannes Linn, the World Bank's vice-president for Europe and central Asia, warned that the problems the bank faced were much greater than expected and there was a risk of widening the gap between different countries. "We may have to be prepared to face an increased polarisation of progress and country diversity," he said. That is World Bank-speak for a dangerous and deepening gulf between the best and the rest.



A market in Nizhny Novgorod, the heartland of reformist Russia. Further structural reforms are needed to encourage investment James Hill

RUSSIA • by John Thornhill

Still hoping for the sun

Russians are waiting for the economic dream that structural reform may bring

If you want to get to the bottom of any story, the editor of the Washington Post used to say, follow the money. Such a quest tells you much about Russia.

The behaviour of local companies – which prefer to transfer money abroad rather than invest in the local economy or pay taxes – and individuals – who change their rouble savings into US dollars and keep them under the mattress – illustrates the continuing economic instability.

Yet Russia's potential is highlighted by the surge of foreign capital into the equity market which has risen 60 per cent this year as a result.

The question for the government – and Russia's 148m long-suffering people – is how fast the country can move from economic gloom into the sunny uplands predicted by stock market investors. This year will determine the answer.

Mr Yevgeny Yasin, mentor of the government's reform team and former economics minister, says urgent government action is needed to spark growth after a further 6 per cent fall in gross domestic product in 1996.

"The country is in an exceptionally difficult situation, maybe the most difficult since 1991-92," he says. "The most important thing is to achieve a resumption of economic growth. This is a not a wish, nor a good intention, but a vital necessity. We will not cope with our budgetary, social, and other problems if we fail to ensure economic recovery."

The government argues that an enormous amount has been achieved in five years of economic reform. It has laid the foundations for a market economy and established a platform for growth, it says.

The liberalisation of trade, the privatisation of industry and the emergence of a vibrant private sector have produced sweeping changes in the economy.

Industry's share of national output fell from 38 per cent to 30 per cent between 1990 and 1994 while the expanding services sector grew from 36 per cent to 54 per cent.

After several failed attempts, macro-economic stabilisation also appears to have taken root. Annual inflation has been cut from 232 per cent in 1994 to 22 per cent last year. The rouble has held steady within a broad band against the US dollar for many months. Annual yields on government debt have fallen from more than 200 per cent before last summer's presidential elections to less than 40 per cent this month.

But Mr Yasin argues that further structural reforms are needed to cement these achievements and encourage investment. Public finances must be brought into order by collecting more taxes and cutting spending, while action needs to be taken to demonopolise important parts of the economy and enforce property rights.

It is a big agenda, hardly helped by President Boris Yeltsin's eight months of inactivity following his re-election last July.

Despite this, Russia's 66-year-old president finally appears to have steeled himself for the fight and has put in place the most reformist government since 1992.

Mr Anatoly Chubais, the standard bearer of economic reforms, has returned to government as first deputy prime minister and finance minister with a brief to put the public finances in order. Promising an aggressive campaign against corporate tax dodgers, Mr Chubais's immediate goal is to plug the revenue shortfalls that have resulted in millions of federal employees and pensioners going unpaid.

His longer-term aim is to introduce a fair and transparent tax code by 1998, encouraging companies to invest with the confidence that their earnings will not be arbitrarily expropriated by the tax police.

The appointment of Mr Boris Nemtsov, the reformist governor of Nizhny Novgorod, also as the other first deputy prime minister promises to inject new vigour into the government's attempts to tackle the spending side of the budget.

Mr Nemtsov's challenge is to cut the government's bloated housing budget and redress the economic distortions created by natural monopolies such as gas, electricity and railways.

The state can only do so much to create the economic conditions for growth, though. Mr Alfred Kokh, the privatisation minister, promoted in the government reshuffle to deputy prime minister, says it is now up to private companies to make the most of the increasingly benign climate.

"For 70 years our people were taught one thing and a cult of the state was subconsciously programmed into the Russian brain. But they must realise the state can no longer manage everything. The state can no longer command people, it can only attempt to regulate," he says.

The real battle, therefore, is to create an economic and political environment stable enough for both domestic and foreign companies to invest with confidence.

Mr Michael Marrese, global emerging markets economist at Chase Manhattan Bank, says: "The essence here is that if Russians who know the most about their economy are afraid to invest in their own country then foreign investors will also be cautious." Yet Mr Marrese suggests the government could enter a virtuous circle if it can tackle outstanding structural problems in the economy.

Cracking down on natural monopolies, introducing a new tax code and pursuing tough bankruptcy procedures will help the government improve its fiscal position. That, in turn, will enable it to reduce its issuance of new debt bringing down interest rates.

Reinforcing ownership rights will lead to higher valuations of Russian assets. This will enable the government to raise more money from privatising the remaining state property. It will also enable private investors to raise funds more cheaply and encourage a return of flight capital.

Conversely, a failure to push through structural reforms could lead to a downward spiral in which the government's inability to pay wages and pensions leads to a further loss of credibility and increased difficulties in collecting taxes.

The resulting social instability could lead to renewed political concerns, pushing up borrowing costs and prompting additional capital flight.

In his state of the nation address last month, Mr Yeltsin conceded that people were tired of five years of seemingly fruitless economic reform. They were beginning to lose hope and patience. Any further complacency could prove fatal.

THE BALTIC STATES • by Matthew Kaminski

Fate is out of their hands

Local troubles and frictions with Russia give added urgency to the westward push

The fate of the Baltic countries, three mice nestled up against the Russian elephant, is again in the hands of others.

Democratic and market reform credentials are helping the Baltic countries – Estonia, Latvia and Lithuania – build a strong case for membership of the west's elite institutions.

The perceived threat from continuing friction with Russia gives the push added urgency, but the desires expressed by Baltic leaders on their visits in Brussels and Washington may yet be dashed. As Russia wants assurance that Nato enlargement will never include ex-Soviet republics, the western military alliance has made clear the Baltics will not receive a membership offer at July's Madrid summit.

They have not ceased lobbying, however. Talks are ongoing on a formal security agreement – short of an outright guarantee – with the US. Washington also has tried to assure the Baltics that, as Ms Madeleine Albright, secretary of state, said in Helsinki last month, enlargement will not stop with the first wave.

The drive for membership of the European Union and western investment advances the process of reintegration with Europe. Yet EU membership for the Baltic states is unlikely to parallel. Nato accession for the central Europeans, as a study from the Rand Corp, a US think tank, urged last year.

Relations with Russia are as prickly as usual. The Kremlin in January threatened economic sanctions against Estonia and Latvia, claiming their sizeable Russian minorities are maltreated, an issue that is holding up progress on a border and standard friendship treaty. Baltic leaders say human rights are not being violated – a view shared by western monitors – and claim Russia is using it to hinder their westward march.

The uncertainty has been compounded by domestic upheavals. Public scandals brought down Latvia's government in January and two of Estonia's in the past six months, leaving the latter with a shaky minority coalition. Lithuanian voters last year threw out the ex-Communist government and brought back the heroes of 1991's independence drive.

The government changes and public accountability can be seen as the stuff of a healthy democracy absent in other parts of the former USSR. Some western officials are less sure. A European diplomat in Tallinn, the Estonian capital, said the instability could hurt EU membership talks and slow structural reforms that require steady political support.

The issues facing the Baltics have had surprisingly little impact on their economies. The recovery is in full swing everywhere. Estonia started reforms early and remains ahead, but the other two are catching up.

Memories of the banking crises that beset Latvia in 1995 and Lithuania last year are fading. After two bad years, Latvia expects a rebound this year. Yearly inflation hovers around 10 per cent and parliament has passed its first balanced budget. Surprisingly optimistic, Standard & Poor's in January assigned Latvia a triple B rating, a grade above Poland and Greece.

The closure of two banks in Lithuania dampened growth but less than was predicted. The new government in Vilnius made up of nationalist parties has continued the reforms begun by the ex-Communists.

Trade has been the motor for the Baltic economies. Boasting five large ports, the countries are a conduit for goods coming into and out of Russia. Latvia last year led the way with 45m tonnes of cargo, a 15 per cent increase from the previous year.

Consumer goods and capital are also flooding in from the Nordic countries and Germany. Estonia already has a high technology, low wage manufacturing base that Finnish companies can tap. Western investors are awaiting further progress on privatisation in Latvia and Lithuania.

Capital flows have been one way and some economists note with concern growing current account deficits in all three states, which, with strong currencies – an unmovable currency board in Estonia and Latvia and a fixed peg in Latvia – are making local exporters grumble.

But the governments are holding their ground. The least orthodox of the three, Lithuania may phase out the currency board in a few months but pledges to keep a stable exchange rate. Estonian and Latvian officials insist that their exchange policies are not under threat – and, in any case, the currencies may be undervalued.

Trade links and a firm track record on macroeconomic stabilisation have spawned a lively financial sector in the region. Recent banking shake-outs have left the stronger institutions standing. The large Estonian banks are leading the push for pan-Baltic business. Hansapank, the region's largest bank, last year acquired Deutsche Lettische, a Latvian bank. A competitor, Hoiupank, plans an expansion into Lithuania. A broader presence throughout the region provides a better base for growth than could tiny Estonia.

In Latvia's capital Riga, historically the region's financial centre, bankers are more closely involved with Russia. Many are ethnic Russians and have developed a niche servicing Russian trade.

The economic transition is incomplete, however. Estonia is selling its state-owned infrastructure. Latvia and Lithuania have promised more liberalisation, particularly in energy, and are drafting their reforms with EU standards in mind.

"The Baltic economies are in a new phase," says a western official in Riga. "They've managed to stabilise. Now they are facing the structural problems. It'll take a long time to finish that agenda off."

While questions hang over the Baltics' place in the world, resolving the outstanding economic issues may be one area where the three countries can shape their own destiny.

THE BALKANS • by Anthony Robinson

Seismic blows to balance

Over much of the region there is enough volatility to deter even the adventurous

The Balkans have lived up to a reputation for seismic shocks, violence and fragmentation over the past few months.

Albania, once seen as a restructuring success story in the making, suffered industrial-scale pillage as defrauded pyramid fund "investors" reclaimed their lost wealth by looting whatever came to hand.

Bulgaria found the political will to turn back from financial meltdown on the brink of a second default on its $10bn foreign debt.

Serbia and Montenegro are still searching for a way out of an economic black hole caused by war and international sanctions. Bosnia has yet to demonstrate that the armed truce in the artificially divided state will endure once Nato-led peacekeeping forces withdraw.

Over much of the region the rule of law is tenuous and mafia gangs are often linked to or more powerful than local or central governments. There is clearly enough volatility to deter the most risk-prone investor.

Yet the launch of a $100m, closed-end Caymans Island-based Balkan investment fund by Regent Fund Management in London last month was well-attended by professional investors and the message they heard was up-beat.

Mr James Mellon, managing director of the Hong-Kong based Regent Pacific Group, which claims to manage assets worth $1.4bn in the region and whose Russian White Tiger Fund grew 160 per cent last year, said parts of this strategically placed region had reached bottom. They were now in line for the sort of rapid asset price appreciation which made fortunes for early investors in Poland, Hungary and Russia, he said.

According to the sales pitch, huge mispricing in debt and equity assets in the region gives a potential to raise asset value three to 10 times in five years.

An example of such "bounce" is the recent experience of Bulgarian Brady bonds which became highly profitable instruments after the resignation of a socialist government was followed by successful negotiation of a $658m IMF support package, while the Bulgarian lev doubled in value against the dollar within a month, after falling like a stone for the previous two months.

The dissolution of Yugoslavia has radically changed the Balkan balance. Two former Yugoslav states, Slovenia and Croatia, fought their way out of the Yugoslav federation and now market themselves, with growing success, as central European – "between Venice and Vienna" as the Slovenes like to say.

Non-Slav Romania is geographically part of the Balkans but was subject to Hungarian and Saxon-German as well as Ottoman influence, and has become by far the biggest country in the region.

Yugoslavia and Romania used to be roughly equivalent with populations of about 22m to 23m each. But Serbia, linked to Montenegro in the rump Yugoslav state, is now a virtually bankrupt country of only 9m, landlocked and deprived of its former share of the revenue from Slovene exports and Croatian tourism.

Slovenia and Croatia, no longer obliged to finance the federation and its army, are building infrastructure with the funds they formerly sent to Belgrade. Direct foreign investment into Croatia doubled to $280m last year and is expected to double again this year, according to Mr Davor Stern, the economics minister.

The test of Croatia's conversion to "central European" ways still lies ahead, however. Much hinges on the way Zagreb handles the reintegration of eastern Slavonia – the last pocket of Serb-held territory – into Croatia later this year.

The disintegration of Yugoslavia has left Romania as the regional "superpower", with oil and gas, a long Black Sea coastline and rich agricultural land among the many assets attracting a growing line-up of foreign investors.

Presidential and parliamentary elections last November resulted in a peaceful, democratic change and brought in a reforming coalition which has successfully attracted foreign attention by the skilful presentation of reformist policies and a rapid privatisation drive. Romania is embarking on a Polish-style stabilisation which it hopes will lay the basis for economic growth.

The peaceful demonstrations against Serb President Slobodan Milosevic in Belgrade and the radical transformation achieved at the Romanian elections had a beneficial effect in Bulgaria, where sullen resignation was replaced by a surge of popular enthusiasm for democratic change.

The ruling socialist party showed belated good sense by bowing to an overwhelming demonstration of the popular will and agreeing to early elections. The polls on April 19 are expected to confirm a political transformation which could mark the end of seven years of wasted opportunities and corrupt privatisation and pave the way for the introduction of an IMF-backed currency board regime.

Looking further ahead, Bulgaria and Romania should both benefit from their strategic position on the Black Sea, which is likely to become one of the main transit routes for oil and gas from Russia and central Asia.

Russia's Gazprom has already emerged as one of the biggest investors in Bulgaria, with a 50 per cent stake in the Topenergy joint venture and plans to spend more than $500m on building a gas pipeline to supply other Balkan states and western Turkey.

Plans for an oil pipeline to take Caspian Sea oil to markets in Europe through a pipeline from Burgas to the northern Greek port of Alexandroupolous, avoiding the Bosporus, are still under discussion.

Provided the political will for embarking on delayed reforms is sustained, Romania, Bulgaria and neighbouring Macedonia will be increasingly open for business and investment.

The main questions are whether Serbia can complete its own move in this direction and whether Albania can find the will to rebuild what has been destroyed.

In varying degrees democratic and market institutions and civil society are fragile throughout the region. The Albanian disaster sent a clear message – that democracy and a market economy need honest administration and transparent methods – and left no illusions about short cuts and miracle cures.

UKRAINE AND BELARUS • by Matthew Kaminski

Dire performances all round

Moscow is forced to think twice as its neighbours' economic reforms fail to materialise

A popular joke in Kiev is that Belarus exists to make Ukraine look good.

Such mildly perverse humour in the eastern Slavic countries, ostensibly independent of outside domination – usually Russian – for the first time in their histories, does little to blanket the stark reality that the gap between them keeps widening and both are falling further behind other more rapidly reforming countries.

Ukraine's fifth birthday celebration last autumn marked a watershed. The country had just introduced a currency, the hryvnia, and passed a constitution. Soaring prices, which exposed Ukraine's weakness in its first two years of self-rule, have become a distant – but not faint – memory.

The doubters, who said a Ukraine without Russia would not last long, have been proved wrong. "No-one can really question that Ukraine will stay independent," says Mr Stepan Kuril, editor of Vysoky Zamok in the western town of Lviv, the hotbed for Ukraine's national revival. "But what sort of country will it be?"

Many people are asking the same question. The nationalists have, in fact, become disenchanted. The old Communist establishment, which ruled Ukraine more conservatively than its peers in Russia, has stayed on and divided the political and economic spoils.

As old vested interests dig in and new ones form, structural reforms are being neglected. Privatisation remains slow. Growing wage arrears – up to 4.2bn hryvnia ($2.4bn) last month – stem from the chronic state of Ukraine's public finances.

New ideas for reforms are emerging. Mr Jeffrey Sachs, a Harvard economist, helped put together a tax and regulatory overhaul package. A more realistic 1997 draft budget came with it. But infighting in parliament and cabinet have repeatedly delayed their adoption, leaving Ukraine without a budget and prompting Mr Victor Pynzanyk, the most senior proponent of economic reform in the Ukrainian government, to resign in frustration earlier this month.

Ukraine's western donors are growing impatient. "They're just not moving forward," a US official complains. "The political leadership is fractured, there is no coherence or follow through. Stabilisation is an old story now, and you can have stability without growth."

President Leonid Kuchma, in a rambling 90-minute address last month, blamed the economic troubles on parliament and the government led by Mr Pavlo Lazarenko, a former Soviet farm boss. Yet he appointed the latter himself.

The charges that corruption is escalating are almost deafening, coming from many leading western companies and their governments. "The business climate is in the toilet," says a US official.

Motorola, the US telecoms giant, last month became the latest casualty, pulling out on a planned $500m investment in a mobile telephone network after the government kept changing its licensing procedures.

As in the case of Russia, Ukraine has developed a reputation for favouring unknown, weakly capitalised local companies that are well connected politically ahead of multinationals with ready cash. The entry barriers are steepest in the energy sector, and particularly in gas, of which Ukraine is a very large importer.

A variable and onerous tax regime, along with often baffling regulations on business activity, also explain the low levels of investment.

The official attitude of indifference – which already has put a dampener on reasonably good relations with Washington – does not square with the economic needs. Ukraine's economy shrank another 10 per cent last year, the steepest drop in the ex-USSR. Gross investment of just 8 per cent of GDP makes a revival all the more difficult.

Most foreign investors are aware of the huge risks: total foreign direct investment in Ukraine's first five years was $1.4bn, negligible for a nation with a population of 52m.

Ukraine's handicap could be a deficit of talent. A new generation – educated abroad in liberal ideas and foreign languages – is just coming back and claiming a role. "This is a profoundly Soviet country with central European pretensions," says a western diplomat of Ukrainian descent.

But those pretensions matter. Its democracy, flawed and functioning without viable political parties, has at least passed the test of a presidential election where power changed hands.

Ethnic tension pitting Russians against Ukrainians in Crimea and Ukrainians against other minorities elsewhere have been handled – if not resolved – without recourse to violence.

Ukraine's recent embrace of warmer ties with Nato and its central European neighbours makes more unlikely the recreation of Russian military or political domination in the borderlands.

Kiev's westward tilt in foreign policy may not last beyond next year's elections for parliament but it is a strategic reality today that makes Russian nationalists furious and appears to vindicate the American proponents of a more pro-active policy toward Ukraine.

Ukraine never opposed Nato expansion into central Europe and today even sees it as in its interest. A separate Ukrainian-Nato charter on closer co-operation is under discussion.

And, as Kiev and Moscow keep bickering about the division of the Black Sea Fleet, Ukraine believes the expansion of the alliance "can be a great stimulus for Russia's choice of a democratic course of development," according to Mr Anton Buteiko, its deputy foreign minister.

As the former Soviet camp members form new alliances and press ahead at varying speeds with reform, the most glaring exception must be Belarus, a nation of 10.7m wedged between Poland and Russia.

Mr Alexander Lukashenko, Belarus president, keeps up the drum beat for Slavic reunion. The Kremlin has repeatedly embraced its closest ally, a potential bulwark on Nato's probable new eastern frontier.

But as Belarus sinks deeper into economic hardship and political repression Moscow has been forced to think twice.

The Kremlin spokesman last month surprisingly condemned the lack of press freedoms in Belarus when a Russian journalist had his accreditation withdrawn. And market reforms have not even been tried, making any reunion with Belarus prohibitively expensive for Russia.

The populist Mr Lukashenko's reputation for unpredictability was further enhanced last month when Belarus expelled a US diplomat. Surrounded by new democracies, Mr Lukashenko now sounds increasingly isolated, warning his countrymen that "we have no-one left to count on".

The harried and small opposition, which lost last November's fight over a controversial new constitution that gave the president broader powers, has in the meantime stayed out in the streets to stage its protests.

Ukrainian industry: complex regulation and tax regimes make it unattractive to foreign investors Frank Spooner

CREDIT RATINGS • by Kevin Done and Anthony Robinson

Debutants line up

A flood of countries across the region are being given their first ratings

The pace of business in central and east Europe has become frenetic for the international credit rating agencies as countries, cities, banks and companies from the region queue up to make their debuts in the international capital markets.

What began as a trickle in 1989, when Moody's, the US agency, gave its first credit rating to Hungary, has developed into a flood during the past 12 months, with countries across the region from Slovenia and Croatia to Russia and Kazakhstan gaining their first ratings.

Positive assessments from the ratings agencies have paved the way for successful eurobond issues, most of which were increased thanks to heavy demand.

In its first international issue since 1917, Russia succeeded in raising $1bn late last year, more than double the amount it had planned, after investors submitted bids in excess of $2bn. A DM1.5bn issue followed three months later.

The sovereign issue allowed several municipal authorities to tap global capital markets including Moscow, St Petersburg and Nizhny Novgorod. Some of Russia's biggest companies, such as Gazprom, the world's biggest gas producer, and Lukoil, its biggest oil producer, are also potential borrowers.

In recent days, St Petersburg has received its first ratings by Standard & Poor's of the US and IBCA, the European ratings agency, which both gave the city the same risk rating as Russia itself, BB- by S&P and BB+ by IBCA. Maiden issues expected this year include Ukraine and Uzbekistan as well as several Russian municipal borrowers led by the cities of Moscow and St Petersburg.

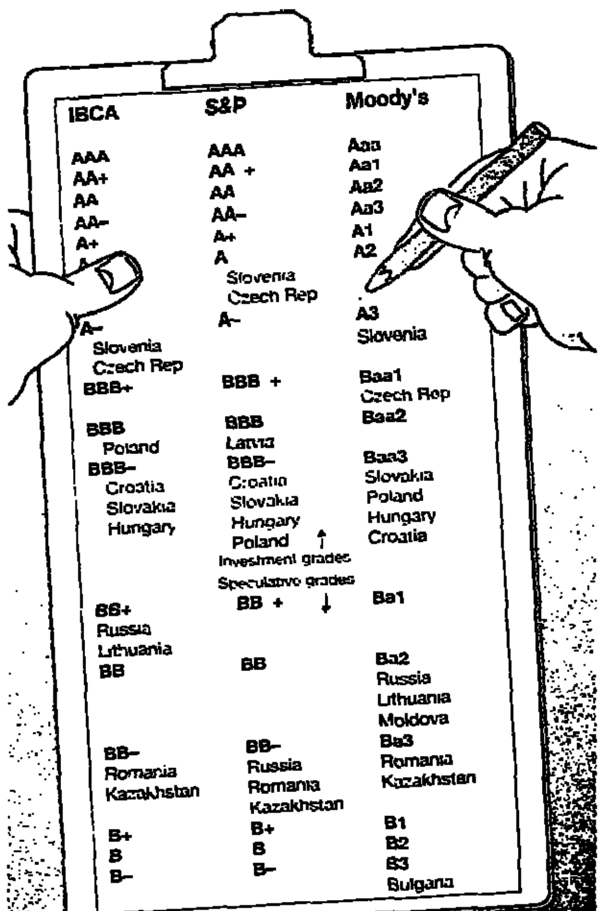
Romania is planning to raise DM500m in its first international bond issue by June and Slovakia is looking at the possibility of raising funds to help cover its budget deficit.

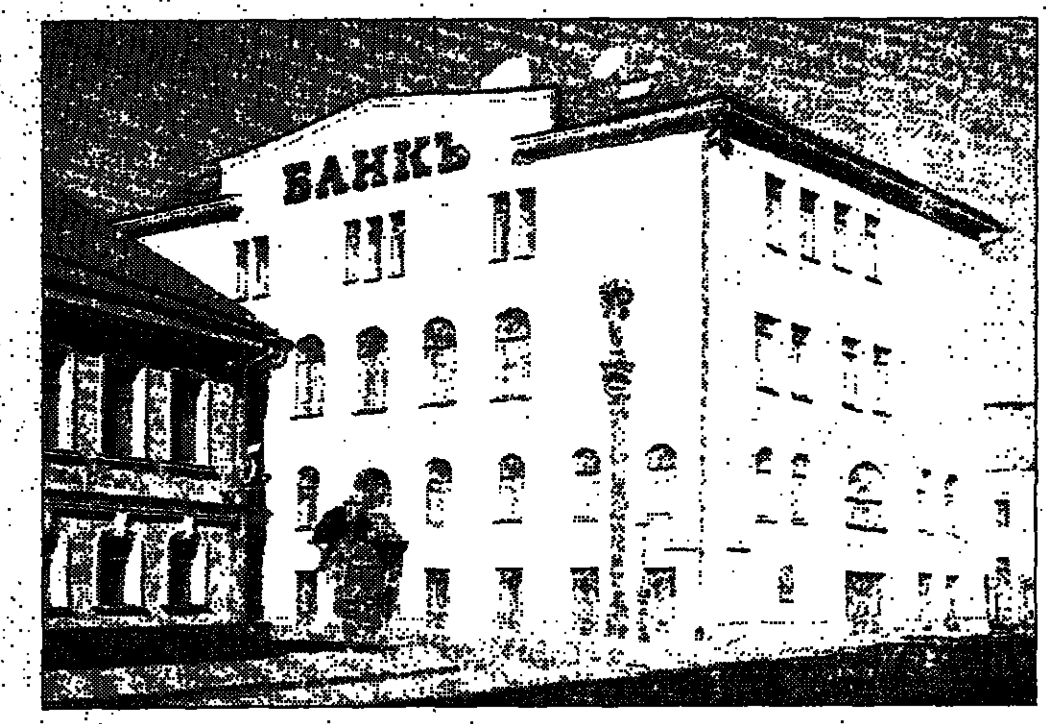
Corporate borrowers, such as Poland's Stalexport which last month issued the first $50m euro-convertible loan, are also ready to tap bond markets for cheaper and longer term funds than those available from local banks and capital markets. Initial reception for the Stalexport was poor, however. "Companies we'd never even heard of five years ago are now in the market looking for $100m at a time," says Mr Doug Rediker of Merrill Lynch. "There's a flood of opportunities but companies have to make the grade. their earnings have to be fully reported, and their forecasts have to bear some relationship to actual performance, just like anywhere else."

Mr Alex Bebov of J.P. Morgan says small loans and private placements are growing, usually with floating rate coupons. Lithuania, for example, made its debut with a two-year $60m placement through Nomura International in December 1995 followed by another $50m eight months later. Poland's Export Development Bank and the Polish Development Bank also raised funds in this way along with two Slovak banks, Slovenska Sporitelna and Vseobecna Uverova Banka, which raised $80m and $100m respectively through Merrill Lynch.

East Europe credit ratings

Long-term foreign currency





POLISH PENSION REFORM • by Christopher Bobinski

A new lease on life

Fund-based pension reform aims to take pressure off the financial markets

■ Nothing symbolises the shift towards more service-oriented economies than the growing interest in privately-funded pension schemes and insurance. Rising incomes and the new middle class are pushing demand; ageing populations and the looming financial crisis of pay-as-you-go pension schemes are raising the urgency for reform. A recent study by Swiss Reinsurance Company predicted that non-life insurance business could grow by 5-9 per cent and life insurance by 7-12 per cent over the next five years in central Europe against the background of a relatively stable supervisory environment and 4-6 per cent average growth. Hungary, the forerunner in pension reform, estimates the shift to funded pensions will see the investments of pension funds rise to 3 per cent of GDP by the end of the decade and up to 40 per cent by 2020. It is from growth like this that finance ministers throughout the region are looking to combine macro-economic stability with largely domestically funded growth.

A small but energetic group of reformers is racing to put in place the outlines of a fund-based pension system to replace Poland's pay-as-you-go arrangements. The effort is central to the development of the country's capital institutions. But the reform must be pushed through parliament ahead of autumn elections lest politicians' temptations to compromise to win the votes of more than 9m pensioners and invalids shatters the fragile government consensus on pension reform.

The old system threatens to collapse in a decade under the weight of a growing population of pensioners. But failure to meet the reformers' deadline would give it a new lease of life.

The leader of the pension team housed in the labour ministry is Mr Jerzy Hausner, a politically canny former top adviser to Mr Wlodzimierz Cimoszewicz, the prime minister. He moves confidently in the corridors of the present coalition, led by the former communist Left Democratic Alliance. He is backed by Mr Michal Rutkowski, a World Bank-trained Polish economist, and a group of enthusiastic experts aware of how important their efforts are to Poland's growth.

If they fail to push draft legislation through parliament in the next few months the banks will remain the basic source of investment funds to the corporate sector, leaving Poland's fast-growing stock market in a secondary role.

Mr Hausner's plans envisage that initially a fifth of the present 45 per cent of gross wages employers pay into ZUS, a state managed pension body, should be paid into privately managed pension funds.

This would cover the future pensions of workers under 30 and those between 30 and 50 who opt into the new scheme which also opens the way for additional voluntary pension schemes. ZUS will continue to pay the existing beneficiaries of the traditional scheme.

Mr Rutkowski estimates that the reform could generate 4.5bn zlotys ($1.5bn) in new savings in its first year, a big increase on the 80bn zlotys of current household savings which are equivalent to 22 per cent of GDP. Domestic savings are mainly deposited with the banking system on tax-free interest earning accounts.

If reform proceeds the government will have to accelerate the privatisation of state owned assets to provide revenues to cover the budget deficit created as payments are channelled into the new schemes. Less than 1 per cent of the population, about 300,000 people, invest directly in the stock market despite a 90 per cent rise in WIG index last year. The stock exchange, capitalised at about 28.5bn zlotys, needs pension reform for faster growth.

The fledgling mutual fund industry, led by the Pioneer Group from Boston, is also looking to the pension reformers as a new source of activities.

Pioneer is still the brightest star among the three fund managers acting as intermediaries between the capital market and private savers. Led by Ms Alicja Malecka, its three funds had 1.6bn zlotys of assets under management at the end of February.

The second is Korona, a joint venture between Poland's Food Economy Bank (BGZ) and Creditanstalt, the Austrian bank, which manages about 86m zlotys of assets.

Przymierze, linking Pekao SA bank and the Alliance capital asset management group of the US, has been on the market since last autumn and has about 30m zlotys in its care while Fidelia, a locally-owned fund, has just started operations.

Prospects for change in the pension system has attracted a list of new entrants, such as Kleinwort Benson which is working with the Polish Development Bank on setting up three new funds and ADIG of Germany which is planning a family of funds with the Export Development Bank. PKO BP, Poland's biggest savings bank, also plans to run funds with Credit Suisse First Boston while Bank Slaski is working with ING, its strategic investor, and the Wielkopolski Bank Kredytowy with Allied Irish Banks.

The prospect of pension reform has provoked intense debate. Ms Malecka of Pioneer believes funds, not insurance companies, should lead the way in managing the scheme. "Mutual funds should do what they know best, which is managing savings," she says.

Mr Jaroslaw Myjak, the deputy head of Commercial Union's life insurance operation in Poland and a committed lobbyist for the pension reform, disagrees.

In spite of the tensions between the two groups the draft proposals do not include any formal restrictions on the organisations entitled to apply for licences to manage pension funds.

THE VIEW FROM FRANKFURT • by Andrew Fisher

Reaching further east

Commitment varies according to the extent of economic reform in each country

With a far-flung collection of emerging markets on their doorstep, Germany's bankers and businessmen have been quick to invest in the opportunities that eastern Europe represents.

Their commitment varies with the extent to which individual countries have gone down the road to economic reform, but their enthusiasm is clear.

This is reflected in the figures. Nearly 10 per cent of Germany's direct investment goes to central and eastern Europe. The Bundesbank says: "Germany's status in these countries is much more important than in other growth regions such as south-east Asia."

The German central bank expected the links between Germany and the fledgling market economies of eastern Europe to increase as these were drawn closer to the EU. So far, the bank notes, Germany's trade and investment contacts have mainly been with the small group of reforming countries – notably Poland, the Czech Republic and Hungary – which were most advanced in making the transition from communism to a free market.

When the other countries in the region are considered, the bank sees "substantial future growth potential which will be to the mutual benefit of these countries and of the German economy."

Already, German exports to eastern Europe make up more than 8 per cent of its foreign sales – more than to the US. They rose 29 per cent between 1993 and 1995 to nearly DM60bn, of which just over half went to the Polish, Czech and Hungarian markets. Machinery, electrical products, vehicles, chemicals and textiles were the main exports. German imports from the region, also approaching DM60bn, were 44 per cent up on 1993, with nearly DM7.5bn representing oil and gas purchases from Russia.

German direct investment in eastern Europe totalled DM4.2bn in 1995 compared with DM2.4bn in 1993, mostly in the manufacturing sector, but services and utilities received more investment as privatisation increased.

German business and political links with Russia and the rest of eastern Europe go back to long before the iron curtain cut off normal relations. Since this was lifted, German companies have been keen to take advantage of the low costs and high skills of their eastern neighbours.

Where business has gone, banks have followed. All the big German banks are involved in eastern Europe. When Deutsche Bank opened its subsidiary in the Hungarian capital of Budapest last year Mr Hilmar Kopper, the chairman, said the business opportunities in eastern Europe "cannot be estimated highly enough".

But like other banks, it has taken a more cautious line the further eastwards it goes. In Russia, for example, it still only has representative offices in Moscow and St Petersburg. It recently decided to upgrade Moscow into a proper branch later this year.

Until now, it has been waiting to see how effectively Russia's banking system develops and how efforts to modernise its battered economy proceed. Deutsche Bank has played a leading role in the renegotiation of Russia's debt, an essential condition for the country's recent return to global capital markets.

Dresdner Bank, Germany's second biggest bank, has helped Russia's industrial financing programme by arranging a $2.5bn syndicated project loan for Gazprom, the big gas producer. This was to help finance the construction of a 4,200km pipeline from the Yamal gas fields in western Siberia to Frankfurt an der Oder, an east German town on the border with Poland.

German banks and companies are aware, however, that doing business in eastern Europe involves considerable risks as well as opportunities. While economic growth prospects this year are better than in any year since the region's transition to the free market started, Deutsche Morgan Grenfell, the investment banking operation of Deutsche Bank, says it will take years for east European countries to approach western European living standards.

"Studies show that this catching up will be a tough battle for each of them, rather than a smooth and even process," the bank says in its Focus Eastern Europe. Eastern Europe is still developing market-oriented policies and some countries are still economically unstable.

"The socialist past is still present in the form of inflated expectations regarding the state's capacity to deal with social problems. As a result, the economies are burdened with social policy tasks that are incompatible with a high growth strategy."

Thus, says the bank, eastern European economies are more similar to Portugal, Spain and Greece than to east Asia, where competition, high savings levels and labour flexibility prevail. Based on the moderate growth rates achieved by Mediterranean countries after joining the EU, eastern European countries would need more than a century to reach 90 per cent of EU income levels. Hungary and the Czech Republic are at 50 per cent of average EU per capita income levels, the same as Greece.

While investors are bullish, risks remain high. Mr Harald Eggerstedt, a Deutsche Morgan Grenfell economist, says: "Picking the winners appears to be particularly difficult in this part of the world."

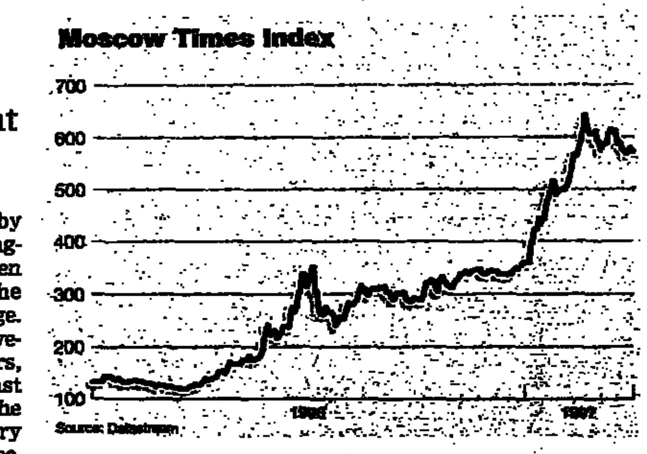
This has not stopped the banks venturing even further eastwards. Beyond Russia, where Deutsche Bank's links go back to czarist times, Mr Hubert Pandza, head of Deutsche's eastern Europe/central Asia department, sees favourable longer term opportunities in Uzbekistan, a mineral-rich cotton producing country in central Asia. About 50 German companies have representative offices there.

The bank is also keen to cultivate relations with Kazakhstan, Turkmenistan and Azerbaijan.

EQUITY MARKETS • by Michael Morgan

Investors dive in

The mood is positive as the markets start to move 'in the right direction'



After a long stand-off by international fund managers, 1996 was the year when for many investors, the Moscow market came of age.

Strategists had been eyeing the market for years, pointing to Russia's vast untapped potential. But the market's weak regulatory framework and poor protection of shareholders' rights proved persuasive in keeping investors at bay.

But in the second half of last year, the re-election of President Boris Yeltsin and the promise that his economic reforms would not be reversed provided the catalyst for a bull run as foreign investors overcame their doubts.

The sharp advance of 156 per cent for last year, in dollar terms according to the IFC's global index, has continued into 1997 with the market up by just over 66 per cent by the end of March.

The increasing demand by foreign funds for Russian equities is highlighted by data from Fund Research, the leading UK fund analyst. At the beginning of February, a poll of six investment funds with a total of $1.1bn under management, targeted at eastern Europe, showed average allocations of 20 per cent in Russia, beaten only by Poland with 27 per cent and Hungary with 23 per cent. That compares with an allocation of 6 per cent in Russia just a year earlier.

Yet problems remain. A study last month warned that Russia's 100 largest companies had serious problems of corporate governance, in spite of their more widely dispersed ownership since privatisation.

The joint research project by Professor Joseph Blasi of Rutgers University and Professor Andrei Shleifer of Harvard University said that many companies had openly flouted shareholder rights by issuing free shares to insiders and blocking the appointment of outside directors. They criticised local brokers for talking up the market, ignoring these concerns.

Based on a sample of 24 of Russia's biggest 100 companies, the study said that 17 per cent illegally maintained their own shareholder register, while 44 per cent had bought back and resold their own shares to insiders rather than retiring them.

Problems also remain with the market's infrastructure, particularly with clearing and settlement.

However, Brunswick Brokerage, a Moscow based securities house, says great progress has been made over the past 12 months in opening the market to foreign investors. It points to the creation of American Depositary Receipts, traded offshore, by 13 Russian companies, keen to raise their international profile. The ADRs cover about 46 per cent of the Russian market capitalisation and this will rise to 80 per cent when all the planned ADRs are issued.

In spite of the problems, the market has undoubtedly come a long way since the first exchange was established in 1991. Mr Vlad Sobell, senior economist at Daiwa Institute of Research, says that the country's privatisation programme has created 40m shareholders.

The overall equities market more than doubled in dollar terms in 1996 and market capitalisation jumped from $22bn to $50bn. Moreover, the electronic Russian Trading System (RTS), the country's main equities market modelled on the Nasdaq in the US, has now reached average daily turnover of $50m with recent records of more than $70m.

Mr Sobell says that investors are currently seeking new outlets and a new lower-tier share market, RTS2, which began in December, will list 72 shares in 47 regional companies.

Russia was not the only eastern European market to put in a strong performance last year. Hungary and Poland were also among the world's best emerging markets last year, rising by almost 95 per cent and more than 71 per cent respectively in dollar terms, says Mr Constantinos Grigoriadis, head market analyst for central and eastern European markets at the International Finance Corporation (IFC), the World Bank's private-sector investment arm. At the very least, he expects Moscow to repeat its achievement as one of the world's best performers in 1997, but he does point to fierce competition from some of the strongly performing Latin American markets.

Mr Grigoriadis also likes the outlook for Warsaw which he sees as by far the best regulated and well established of the east European emergers. The market has gone along with the regional upward trend, taking it close to the all-time high set in early 1994.

Problems may lie ahead, however. Foreign and Colonial Emerging Markets points out that greater volatility can be expected in coming months in view of increasing political uncertainty ahead of the parliamentary elections scheduled for the autumn. However, a number of large new issues is expected in the second half of the year which could raise the profile of Polish equities for foreign investors.

Budapest has its admirers, among them HSBC James Capel. It says that with the corporate sector benefiting from a collapse in the domestic economy, it sees the equity market returning to vogue. After an impressive performance in 1996 and in the opening months of this year, the market has seen some profit taking.

However, says Capel, "this is a pause for breath, rather than the start of a new trend."

The Czech market, a weak performer late last year has responded positively to moves to regulate stock trading more aggressively and to impose more transparency on reported trading. However, Prague is still less transparent than its neighbours and suffers from a dearth of financial information on listed companies.

Among the smaller markets, Slovakia moved up to new 12 month highs along with the regional rally in neighbouring markets. But the country faces trade and budget deficits and while overall earnings should improve in 1997 from their weak levels last year, the lack of market transparency and the negative political tone is likely to offset the market's cheap valuation.

The IFC's Mr Grigoriadis sees eastern Europe as a key investment area over the next three to five years. "Even the small markets are going in the right direction," he says.

Shifting priorities prove expensive

Centrally planned economies were big on power and natural resource-consuming heavy industry and bulk transport. Road transport, energy saving, environmental protection and above all telecommunications were a low priority. The transition to a market economy implies both a re-ordering of priorities and massive, long term investment. The new priorities are repairing ecological damage and reducing wasteful power and resource use. But shifting priorities to satisfy the lower cost but higher technology production methods and higher communications requirements of market-orientated economies requires huge investments which remain mainly on the drawing board. The EBRD calculates that foreign strategic investors have put $6bn to date into major infrastructure privatisation, mainly in telecoms but also power and water utilities in Hungary, The World Bank calculates that 10 times this amount will be required over the next five years to fund the big projects on the horizon.

But most of the finance will have to be domestically generated - providing a powerful impetus to the development of domestic institutional investment vehicles throughout the region. "The emergence of life insurance, and to a lesser extent private pension funds represents an important potential source of local currency finance for infrastructure projects, which has yet to be tapped in a substantial way," the EBRD notes in its 1996 Transition Report. This section looks at developments in some of the main infrastructure areas.

OIL AND GAS • by Robert Corzine

'Wall of money' yet to emerge

While the pace of investment may grow, deterrents remain, especially in Russia's case

The pace of investment in the oil and gas industries of eastern and central Europe is expected to grow in coming years, although the "wall of western money" some pundits had predicted, especially for Russia, may not materialise.

Legal, regulatory, fiscal and transport problems are most often cited as the deterrents to large-scale foreign oil investment in the region and generally influence energy investment decisions in the former Soviet Union, although their impact varies according to company and country.

Investment in Russia, the largest oil and gas producer in the region, remains low relative to its potential. This is reflected in 1996 production figures which show that the trend in recent years towards lower output continued last year, albeit at a more modest rate.

Russian oil output was about 6m barrels a day, about 2 per cent down from 1995's output.

Although the small decline suggests production has finally stabilised, the challenge of maintaining even the current level over the next decade is substantial. A recent World Bank study said the Russian industry will need investment of $13bn a year to stave off further sharp cuts in output.

Many big western oil companies are planning multi-billion dollar projects that could help to reverse the decline but most say they are awaiting final approval of long-awaited legislation governing production sharing contracts.

Uncertain access to already full export pipelines is also a factor that could delay some projects even if the legal hurdles are overcome. Many schemes have been put forward to remove the bottlenecks in both the northern and southern oil export systems, but a number would imply a reduced role for Transneft, the monopoly state-owned pipeline operator. That, however, could prove politically tricky.

While Russian oil companies are keen to use the funds on offer from foreign partners to expand along the lines of their western counterparts, a recent report from MC-BBL Securities noted that their biggest priority has been to secure their positions within the politically fluid domestic sector.

But investment in the Russian oil and gas sector has not come to a complete standstill. Some Russian companies have successfully tapped foreign funds through bond or share issues. Gazprom, Russia's largest company and the world's biggest gas producer, raised $429m through an equity placing last October.

Gazprom, which, as the largest gas supplier to western Europe, has a large stream of US dollar earnings, has also had little trouble tapping international banks for debt finance for new export pipelines. Lukoil, the largest oil company, has gained access to large amounts of foreign capital, mainly through its alliance with Arco, the US oil company.

Investment for specific projects has come through smaller western companies, which have done a number of mainly oil development deals in recent years. Some of these companies have recently come to the London market to fund their projects.

Others, however, have had trouble securing the necessary levels of commercial finance, and say they need funds from the EBRD and other multilateral institutions to carry out their development plans.

There is also growing investment activity in the former Soviet republics around the Caspian Sea. The bellwether Azerbaijan International Operating Company, which is developing three offshore fields, is due to begin production later this year.

The successful export of AIOC's early oil production out of the Caspian is expected to encourage a number of other consortia with similar deals to intensify their efforts.

The idea of a web of export pipelines in the Caspian region appears to be gaining favour, a development that could spur further investment over the longer term, according to industry executives.

Foreign oil and gas investment in central Europe has been aimed more at downstream activities – such as the distribution of natural gas and refined oil products – in the expectation that energy usage will grow strongly to match western European levels.

Average per capita energy consumption in Central Europe is about 60 per cent of that in western Europe, with the difference usually attributed to the limited amount of car ownership in the region. But a recent report by the London merchant bank ING Barings suggested an "enormous pent-up demand for private cars".

Aside from the construction of the new Leuna refinery in the former East Germany by Elf Aquitaine of France and some upstream exploration, most western interest has been limited to the marketing of petroleum products.

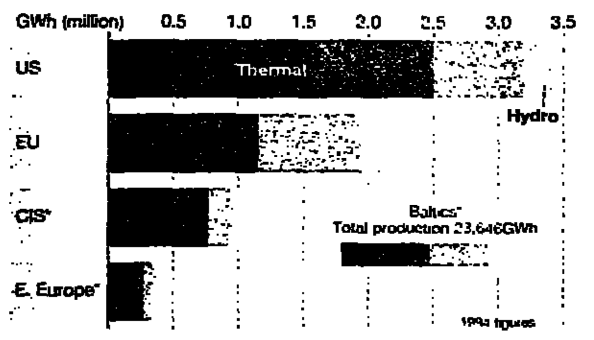
The scale of the intended investment is considerable; British Petroleum alone has plans to invest as much as $600m in a new central European retail network centred on Poland.

NUCLEAR ENERGY • by Simon Holberton

Power to the people

Reconstructing the fuel industry will take more than new nuclear reactors

Production of electricity



Source: International Energy Agency *average of countries for which data are available

If Mr Jacques de Larosière, president of the European Bank for Reconstruction and Development, could have one wish come true it would be that Ukraine – and the problem of what to do about Chernobyl – does not dominate the annual meeting of his bank.

His wish may be granted. But the difficulties in which the bank has found itself underline the proposition that a commercial lending institution is ill-suited as an instrument of western political intent.

After December 1995 Kiev thought it had a deal with the Group of Seven leading industrialised nations that would enable it to close Chernobyl – site of the world's worst civilian nuclear accident – and to complete the construction of two unfinished nuclear reactors, Rovno 4 and Khmelnitsky 2, by 2000.

The G7 commitment to the completion of these reactors was contingent, however, on the EBRD doing due diligence. The bank had to satisfy itself that finishing the reactors represented a "least cost" solution to Ukraine's energy problems.

In February the EBRD received a report from its independent advisers warning the bank that the reactors could not be completed on a least cost basis. The report said that western assistance would be better directed at the refurbishment of Ukraine's fossil fuel generating equipment, and in promoting energy efficiency and conservation. It noted that Ukraine has more than enough installed generating capacity for its needs. It has 55,000MW of capacity – of which 33,000MW is coal-fired – to meet peak demand of 27,000MW.

It is likely that full consideration of the report – and a number of criticisms made of it – will be delayed until late April or early May. But the delay means there is little chance that Rovno 4 and Khmelnitsky 2 can be completed by 2000, even if the EBRD agrees to finance their completion.

Moreover, it is moot whether the Ukrainian authorities will have enough fuel to keep Chernobyl operating past this summer. Once there is no electricity generation on site international concern will focus on the ability of the Ukrainian electricity grid to supply uninterruptible power to the Chernobyl site so that reactor safety systems can be kept functioning.

Politics is never far from the surface in the power sector, although more typically the pressures are domestic rather than international. Indeed, of all the industrial sectors in central Europe and the former Soviet Union in need of reform, the power sector is likely to prove among the most difficult.

Successful change requires root and branch reform of tariffs and the creation of a regulatory regime capable of controlling a competitive market. Only after these two requirements have been met will conditions favour the massive investment the industry needs to rehabilitate plant and equipment.

● Tariffs. Price reform is proving extremely difficult. In north America and western Europe electricity tariffs for industry are between 45 and 55 per cent of those for households. EBRD research shows that only those countries in advanced transition operate tariffs where industrial prices are lower than those for households.

"With low and inverted tariffs, reflecting in part past use of electricity as a mechanism for distributing benefits and resources under central planning, it is important to recognise that untargeted subsidisation of electricity can be a regressive measure," the bank says in its report *Economic transition in eastern Europe and the former Soviet Union*.

● *Price regulation*. The need to have a regulatory authority separate from the industry it regulates has become an important issue for countries in transition. It is still too early to determine the effectiveness of recent moves in this direction, although initial experience is not encouraging.

Hungary, although a model in many respects, has upset foreign investors with the inability of the Hungarian government to raise retail tariffs by the amount promised when electricity assets were sold, at the end of 1995. Electricité de France and AES, a US independent power producer, have both expressed their frustration to Budapest.

● Competition. Scope for competition in the power industry is limited. The electricity systems of most countries are plagued by overcapacity and the age of equipment. Thermal efficiency is low by western standards at below 30 per cent for most coal and lignite-fired power stations.

Problems of efficiency in generation are exacerbated by the poor standard of the transmission and distribution systems. Distribution losses are often about 10 per cent of net generation and sometimes as high as 15 per cent to 20 per cent, EBRD estimates.

● Need for capital. Mr P J Kalff, chairman of ABN Amro Bank, warned earlier this year that the infrastructure for power generation in the east was inadequate for the needs of market economies. Bringing it up to standard will require a vast sum. Poland alone has estimated that it needs to invest $45bn over 15 years to replace half of its 33,000MW generating capacity. "Decision makers have to remember always that central and eastern Europe is competing with Asia and Latin America, which have so far received most of the investment flow," Mr Kalff says.

"Substantial strategic investor interest toward central and east European investment projects has yet to materialise. It is still deterred by the perceived high risk of the business environment; and by the chaotic legal, regulatory and procedural impediments encountered all too frequently."

TRANSPORT • by Charles Batchelor

Have new trade, will travel

Planners look to privatisations as traditional traffic patterns change routes and roles

Transport networks in central and eastern Europe are undergoing rapid change as the role of railway contracts and demand for car and air transport increases. At the same time traditional traffic flows, between central Europe and Russia, are making way for connections with western Europe.

Estimates range as high as £100bn for the sums needed to upgrade run-down road and rail links and to develop the networks needed to match the new trade patterns. Much of this is expected to come from institutions such as the European Bank for Reconstruction and Development, the European Investment Bank and individual European governments though an increasing role is seen for the private sector.

Transport projects have been the second largest sector of EBRD activity (after the finance and business sector) accounting for 13 financings and 14 per cent (Ecu395m) of the Ecu2.85bn approved in 1995.

The transport changes under way in the region have led to a significant decline in land transport movements, the EBRD concluded in a recent review.

Structural changes in the region's industry are expected to lead to a further fall in demand for shipments of bulk products such as ores, iron and steel and a shift towards higher value light manufactured products. This will put a premium on more frequent, more dependable transport services offering high levels of security.

The railways in western Europe have still to rise to this challenge and their counterparts in eastern and central Europe seem certain to face a tough battle with roads for much of this market.

But the impact is likely to be greater because the contraction which has taken place over several decades in western Europe will be compressed into a far shorter time in the east.

Meanwhile road, rail and aviation networks will have to be upgraded to meet rising passenger expectations and increased levels of car ownership.

In parallel with these changes in traffic patterns has come a shake-up in the way transport is owned and managed. Centrally organised transport bodies are being privatised or split into smaller administrative units.

The EBRD points to privatisation as the best means of fostering competition and improving services. But it is concerned that governments should continue to oversee planning issues, safety and environmental protection.

In addition to an estimated $100bn needed for infrastructure improvements, the EBRD calculates that tens of millions will be needed for maintenance and far larger sums for the replacement and expansion of vehicle fleets and other equipment.

To ensure the most effective development and use of these transport facilities their use must be properly priced, the EBRD warns. Modern cost accounting methods must be applied to transport projects while user taxes to meet congestion and pollution costs must be carefully structured.

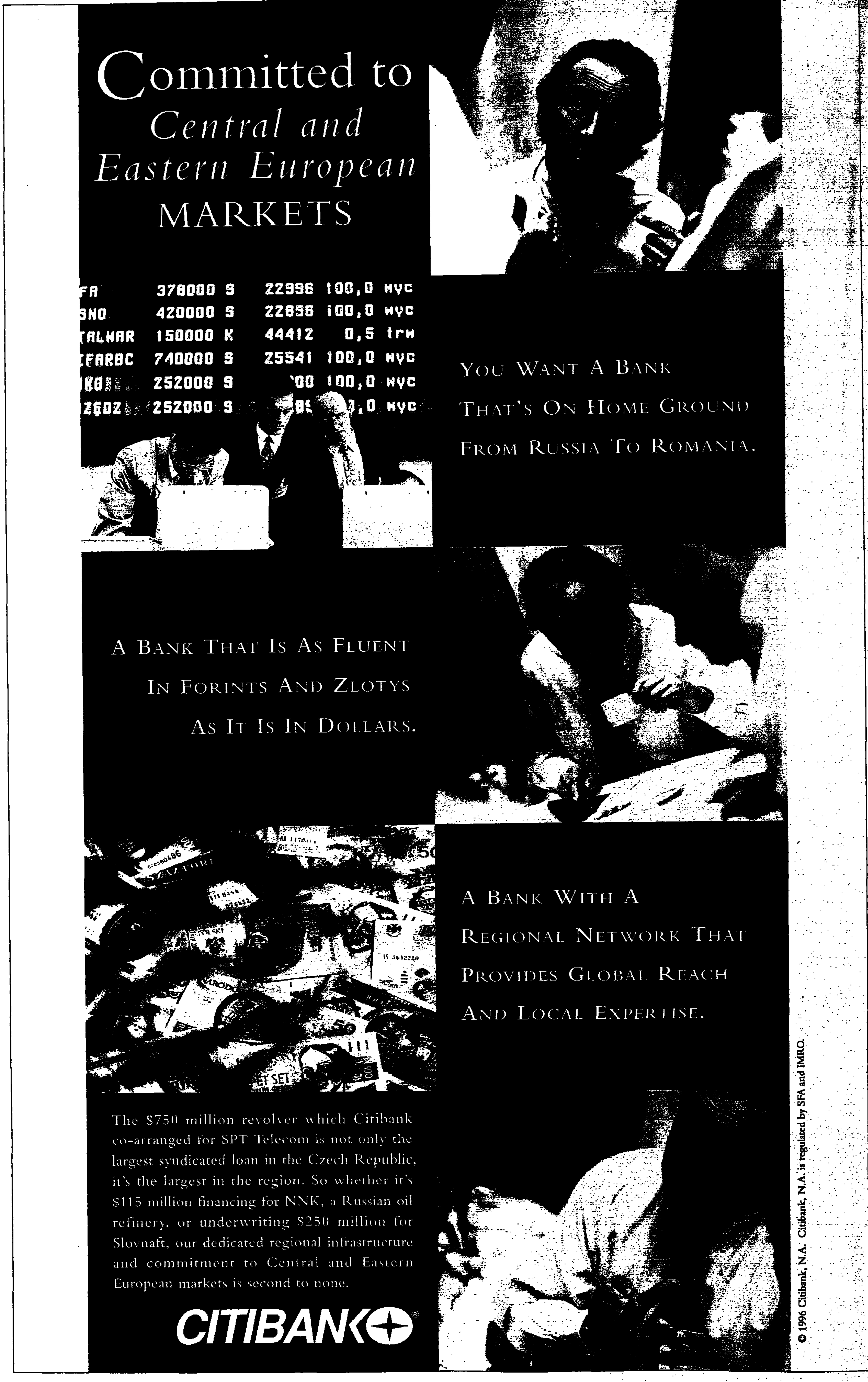
Just how difficult it can be to get this right is illustrated by the case of the Ecu1bn (£720m) M3-M30 motorway project east of Budapest. Plans to place a concession with a private sector consortium led by GTM International were dropped when the consortium suggested that if toll levels were too high, motorists would divert to other roads.

It recommended lower tolls financed by a government subsidy but this did not find favour with the Hungarian government. It decided to finance the project entirely in the public sector with a higher level of tolls to ensure an acceptable economic return.

The EBRD acknowledges the difficulty of financing transport projects in countries which are still developing sophisticated commercial and legal systems and lack established capital markets.

Nevertheless, progress is being made on involving the private sector. Sema Group won a contract to provide a toll system on 60km of motorway between Gyor and the Austrian border while Brown & Root, a US engineering and project management company, was last October appointed to advise on the Romanian government's first motorway concession programme.

Other recent projects to involve the private alongside the state sector include Hungary's tolled M5 motorway; a Ecu15m project to build an oil-importing terminal on the River Danube in Moldova where a local private shareholder will take a majority stake; and rail projects in the Czech Republic and Bulgaria.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COMPANIES & MARKETS
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IN BRIEF

Brussels states terms for BT deal

The European Commission is demanding only two substantial concessions from British Telecommunications, the UK telecoms company, and MCI, the US long-distance carrier, in return for approving the $20bn merger between the two companies. Page 21

Volkswagen sales underline recovery
Volkswagen, Europe's biggest carmaker, consolidated its recovery with a sharp increase in first-quarter sales. The upbeat figures pushed VW shares through DM1,000 ($580) for the first time. Page 20

RMC predicts fall in German building
German construction output in 1997 is forecast to fall for the second successive year, according to RMC, Europe's biggest concrete producer. Page 21

Taiwan Semi plans $14.5bn investment
Taiwan Semiconductor aims to bolster its position as the world's leading pure foundry chip maker by investing T$400bn (US$14.5bn) over the next decade in advanced technology chip plants. Page 18

JP Morgan dips but beats estimates
JP Morgan reported a slight drop in net income in the first quarter of 1997 compared with the same quarter of 1996, but still managed to beat analysts' estimates. Page 19

Chrysler announces record sales
Chrysler reaffirmed its position as the smallest, but most profitable, of the "Big Three" US car companies by announcing record sales and profits for the first quarter. Pre-tax profits rose by 2 per cent from $1.67bn to $1.70bn. Page 19

Aon advances on lossmaking broker
Aon, the large and acquisitive international insurance broker, is in advanced talks to buy Minet, the lossmaking UK broker owned by US property and casualty insurer St Paul Companies. Page 19

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Mannheim Vers	745	+	25
Varta	276	+	4
Volkswagen	998.0	+	54.5
Falls			
Holzmann	507	−	13
Metro Prf	110.5	−	4.0
Rheinmetall Prf	253	−	10
NEW YORK ($)			
Rises			
Owens & Minor	12⅝	+	1½
SPX Corp	52¼	+	6¼
Zenith Elr	12⅞	+	1
Falls			
Carson Inc A	8	−	3¾
Hambrecht Qst	18¾	−	2¼
Primark	19	−	5
LONDON (Pence)			
Rises			
Bakyrchik	152	+	28
Hewitt Whiting	75¼	+	13
RJB Mining	440	+	45
Telspec	270	+	45
United Inds	78½	+	9
Falls			
Sentry Farming	150	−	15
TORONTO (C$)			
Rises			
Brnm Goldfields	1.04	+	0.24
Bre-X Minerals	2.90	+	0.63
Minorca Res	1.79	+	0.34
Falls			
PC Docs Group	6.90	−	1.85
Teluler Can	1.82	−	0.23
Torrington Res	5.55	−	0.65

PARIS (FFr)			
Rises			
Labinal	1492	+	82
Synthelabo	672	+	46
Falls			
Michelin B	336.0	−	10.5
Pechiney Intl	99.75	−	7.25
SGS-Thomson	398.2	−	17.9
Vallourec	333	−	12
TOKYO (Yen)			
Rises			
Nppn Credit Bk	190	+	22
Falls			
Chuo Tst & Bkg	433	−	46
Miyaji Iron Wks	255	−	36
Tokyu Car	305	−	45
Toshiba Mach	300	−	30
Toyo Tst & Bkg	619	−	61
HONG KONG (HK$)			
Rises			
Anhui Express	2.15	+	0.21
Chengdu Telecom	1.03	+	0.07
Guangshen Rlwy	3.62	+	0.22
Intl Tak Chng	2.60	+	0.25
Wo Kee Hong	0.74	+	0.05
Falls			
Silver Grant	2.97	−	5.33
BANGKOK (Baht)			
Rises			
B. Grimm Eng	22	+	2
Hipro Electro	28	+	2.6
Falls			
Northavej	27.25	−	4.75
Renown	20.25	−	2.25
Srithai Super	114	−	12
White Group	18.25	−	2.50

New York and Toronto prices at 12:30.

Sears to repay card customers

US retailer admits over-zealous pursuit of bankrupts who defaulted

By Richard Tomkins in New York

Bankrupt customers of Sears Roebuck, the second biggest US retailer, are to enjoy a multi-million dollar bonanza after the company admitted yesterday it had failed to follow proper legal procedures when pursuing them for their debts.

Sears Roebuck admitted to being over-zealous in leaning on customers who had defaulted on their credit card debts and offered to repay sums it had obtained from them illegally. Analysts put the figure at $125m before tax.

"We don't have an excuse. It was flawed legal judgment," the company said.

The repayments will go to thousands of customers across the US. Sears Roebuck said it was in the early stages of assessing the cost but warned that it would have a material effect on this year's earnings.

The company's shares fell $3 to $47⅞, or 6 per cent, in early trading.

Sears has a very substantial in-store credit card operation with about 60m customers. It has a reputation for vigorously pursuing unpaid credit card debts, sending debt collectors to bankruptcy hearings all over the US in an effort to protect its interests.

Unlike most credit card issuers, Sears has a secured interest in products bought with its card, so if customers default on their debts, Sears has the right to reclaim the goods that were purchased.

Under the US bankruptcy code, people who go bankrupt can reach voluntary agreements with creditors to reschedule their debts. Sears leaned on bankrupt customers to reschedule their credit card debts by threatening to reclaim their purchases.

However, these so-called debt reaffirmations have to be filed in court, and Sears said yesterday that it had "not been consistent" in doing so. "We didn't deserve to have those payments made to us if a reaffirmation agreement wasn't filed, and we now have to determine the extent to which we will refund payments, including finance charges and interest," the company said.

Mr Arthur Martinez, chairman and chief executive, has engineered a big resurgence in Sears Roebuck's profitability, revamping its stores and turning the company into a star of the US retailing sector. Last year, net profits jumped by 24 per cent to $1.3bn.

Mr Ed Weller, an analyst at Robertson Stephens, a San Francisco investment bank, said Sears Roebuck appeared to have calculated that it was worthwhile trying to keep the custom of former bankrupts because they were often better credit risks than other people, having learned their lesson.

"Sears's real agenda is to do what it can to keep these guys as customers. You can't screw your customers and expect them to come back," he said.

BoJ backs Bankers Trust plan for tie-up with NCB

By Gillian Tett in Tokyo

The Japanese financial authorities yesterday gave their public support to a planned tie-up between Nippon Credit Bank, the ailing Japanese group, and Bankers Trust of the US, fuelling hopes of further links between foreign and Japanese institutions.

The Bank of Japan said it "strongly welcomed" the business tie-up and equity exchange agreement between the two groups, adding that it seemed consistent with plans for financial deregulation.

The deal is the first of its kind in Japan's banking sector and comes amid the deregulation known as Big Bang.

Although Japanese banks have traditionally held cross-shareholdings in each other, no western bank has entered the market this way.

However, yesterday's agreement between NCB, one of Japan's 20 largest banks, envisages only a symbolic preliminary equity swap. The two banks denied that they expected the agreement to lead to a full merger in the near future.

The equity swap will be conducted after NCB has finished its current restructuring plans, announced last week.

These plans, which officials hope will be completed before the end of June, include a Y291bn ($2.3bn) increase in NCB's share capital. This is urgently required to ensure that the bank, which has been plagued by bad loan problems, meets Japan's domestic capital adequacy requirements.

For Bankers Trust, the new relationship with NCB is likely to be seen as a specific business opportunity, rather than a strategic relationship which will affect the broader development of the US bank.

The agreement had been under discussion since the end of last year, bank officials said yesterday.

Both banks have recently been involved in lobbying the Ministry of Finance to change the law to permit the full securitisation of assets as part of of financial deregulation, and had discovered "mutual interests", officials said.

Consequently, the development of a domestic securitisation business in Japan is expected to be one of the key points of their collaboration.

Bankers Trust is also expected to assume NCB's overseas assets, following an announcement last week that the bank intended to withdraw from overseas business as part of its restructuring plan.

Banking analysts yesterday welcomed the news, and pointed out that Bankers Trust's experience in the sale of bad debts could help NCB offload many of its bad loans.

Mr James Fiorillo, banking analyst at ING Barings said: "We may see more tie-ups between foreign and Japanese banks because Japanese banks are likely to have to abandon overseas operations and because deregulation is likely to open the Japanese market."

However, analysts pointed out that a full-scale merger remained unlikely - and that it remained to be seen how close the collaboration would prove.

Ms Alicia Ogawa, of Solomon Brothers said: "We do not feel that foreign financial institutions will be major players in the Japanese market in the short or medium run."

Lex, Page 17
Big Bang Link, Page 18

Belgian investment group to sell minority stake worth $1.1bn

Adidas reports 43% rise in sales

By Andrew Fisher in Frankfurt

Adidas, the German sportswear group, yesterday reported a better than expected rise in first-quarter sales and disclosed that an investment company would sell its remaining minority shareholding worth about DM2bn ($1.1bn).

Belgian-based Sogedim plans to sell its 26 per cent stake to Adidas directors and outside investors at a price to be announced. Adidas shares rose 3.5 per cent to DM182.50 yesterday as the overall market eased slightly. This put a value of DM2.16bn on Sogedim's 11.84m shares.

Analysts were impressed by the 43 per cent jump in first-quarter turnover to DM1.7bn, which Adidas attributed to further growth in Europe, a rise in footwear sales and sustained momentum in the clothing market. The company said first-quarter profits were likely to be at least DM235m, up 37 per cent on last year.

Mr Jürgen Heinz, an analyst at WestLB Research, said the results were "considerably better" than expected. He had forecast sales for the first three months of DM1.6bn and profits of DM223m.


Chairman Robert Louis-Dreyfus: pulled Adidas out of the difficulties it met in the early 1990s

Half the shares to be sold by Sogedim will be acquired by Mr Robert Louis-Dreyfus, chairman of Adidas, and Mr Christian Tourres, a fellow director. Both men will thus convert their indirect holdings in Adidas, held via Sogedim, to direct shareholdings.

Mr Heinz said this was a "vote of confidence in the company". BZW Deutschland said it should reassure investors that Adidas's prospects were still good.

Sogedim became involved with Adidas in 1993 when it bought 95 per cent of the company from Mr Bernhard Tapie, the French businessman and former politician. This stake was reduced to 26 per cent when Adidas went public with a DM2.1bn share issue in 1995.

Adidas said the other half of Sogedim's shareholding would be sold to international institutional investors and German retail investors. This will come from the holdings of Sogedim's private investors who have no connection with the Adidas management and want to take profits on the shares, which were first issued at DM68.

Under the chairmanship of Mr Louis-Dreyfus, a former chief executive of Saatchi and Saatchi, the UK advertising group, Adidas has recovered from its difficulties of the early 1990s, revamped its product range and become more aggressive in its marketing.

Dresdner to run investment arm from twin centres

By Andrew Fisher in Frankfurt

Dresdner Bank, Germany's second largest bank, yesterday unveiled plans to strengthen control of its investment banking business by splitting responsibilities between London and Frankfurt.

The bank also said it wanted to expand further in asset management.

Both activities are central in the bank's drive to improve profitability and win market share at home and abroad. Mr Jürgen Sarrazin, chairman, said the structure of its operating profits – up 44 per cent to DM2.9bn ($1.68bn) last year, with a gain of more than 10 per cent in the first two months of 1997 – still had to be improved. Net income in 1996 rose 31 per cent to DM1.58bn.

He said Dresdner, which paid £1bn ($1.62bn) in 1995 for Kleinwort Benson, the UK investment bank, did not want to concentrate its investment banking activities in one place. It aimed to build on its strengths in different centres such as Frankfurt, London and Paris.

Differences of opinion over how to achieve the group's goals led recently to the surprise resignation of Mr Simon Robertson as executive chairman of Kleinwort. Mr Robertson was a strong advocate of running investment banking from the UK.

Under the new plans, the global corporate finance and equities businesses of the Dresdner Kleinwort Benson investment banking unit will be handled from London, but global finance will be managed from both London and Frankfurt and the latter will look after global markets. Banque Internationale de Placement, the Paris-based derivatives subsidiary, will come under the new structure.

Overseeing global investment banking will be a 15-man management committee.

In asset management, Mr Sarrazin said Dresdner's expansion was not at an end after last year's $300m purchase of San Francisco-based RCM Capital management. Dresdner was keeping a close eye on the UK and other markets.

Mr Eberstadt said "we still have a corner to fill" in the UK. Following the reorganisation of its non-German asset management business, he said some UK asset management companies had expressed an interest "in coming under our roof".

Dresdner's ambitions in investment banking and asset management are part of its plans to develop advisory-based business, revamp its retail banking network and invest in new technology. Mr Sarrazin spoke of "considerable investment costs" in coming years. The bank invested between DM300m and DM400m last year in expansion, including preparations for the European single currency.

He noted that commission income (up 35 per cent last year to DM4.13bn) was equivalent to some 60 per cent of net interest income, against 38 per cent five years ago. Commission income – fees from securities trading and other client business – benefitted from the first-time inclusion of Kleinwort Benson and RCM.

Foster's unveils plan to brew beer in India

By Nikki Tait in Sydney

Foster's Brewing, the Australian drinks group, plans to become the first major international beer brand to be brewed locally in India.

The company is to build a 35m-litre brewery in the Indian state of Maharashtra. At present the company imports "very small" quantities of its brands into the country, but these are subject to substantial tariffs.

Beer consumption in India remains low at about 0.4 litres a head annually, compared with 20 litres a head in China and 98 litres in Australia. However, Foster's believes that the growth in India's middle class should encourage consumption, which has already increased by 37 per cent since 1991.

"All the signs are extremely promising," said Mr Ted Kunkel, Foster's chief executive. "The market is one in which good margins can be achieved on beer. We believe that Foster's India will be making profits for its shareholders within four years of our commencement date."

The new brewery, at Aurangabad, will be built in partnership with Indian investors. Foster's will have a 51 per cent stake in the joint venture, with the Kothari Industrial Corporation holding 24 per cent. The remaining 25 per cent will be divided among other local investors, but the Australian company said details had not been finalised.

The first stage in the construction of the brewery – which will deliver an initial 10m-litre capacity – is due to be completed later this year. The plant will probably reach full capacity by 1998. Foster's initial investment will be A$18m ($14.1m).

To date, the group's main focus in Asia has been in China, where it has acquired holdings in three breweries and invested about A$150m. Some concerns have been raised over the slower-than-expected returns from the Chinese investment.

In the half-year to the end of December, Foster's China made a pre-interest loss of A$10.2m, although the company said sales volumes were up by more than 37 per cent, and progress had been made in reorganising sales and distribution arrangements.

Lend Lease buys Equitable unit

By Nikki Tait in Sydney

Lend Lease, the Australian financial services group, announced yesterday that it was paying US$400m to acquire Equitable Real Estate Investment Management, the property subsidiary of the Equitable insurance group in the US.

ERE has been described as the largest manager of property equity and mortgage investments in the US. Property assets under management are put at about US$25bn, and the portfolio covers more than 267m sq ft of office, retail and commercial properties.

Its customers include private and public pension funds, and it also manages the Equitable's US$10bn general account portfolio. Earnings before tax were US$56m in 1996, although Lend Lease conceded that they had been uneven over the past five years.

The Equitable said the disposal was part of a long-running strategy to maximise shareholder value. This has already involved initial flotations for Donaldson, Lufkin & Jenrette, its securities house, and Alliance Capital Management, its fund manager. It has kept a controlling stake in both.

Lend Lease said it would fund the deal by a mixture of cash and debt, including an eight-year US$100m note which it will issue to the seller. It indicated its own gearing would rise to about 17 per cent as a result, but it expected the deal to be positive in terms of earnings per share.

In early January, Lend Lease confirmed that it was in talks over a possible acquisition of the Equitable subsidiary, but the deal was finalised only yesterday. It is subject to New York State insurance department approvals and Hart-Scott-Rodino review, but is expected to close by the end of June.

The addition of the Equitable assets will mean Lend Lease has about US$35bn of assets under management, across five continents, making it one of the world's largest property management businesses. It plans to merge its existing Yarmouth property investment management business in the US with ERE once the acquisition is complete, and Mr George Puskar, ERE's chairman, will head the merged group.

Lend Lease declined to detail the terms or length of its agreement with Equitable over ongoing management of the general account portfolio, although Mr David Higgins said it provided "sufficient comfort".

Included in the ERE acquisition is the Compass Management and Leasing unit, which handles office and industrial property across the US, Europe, and South America, and the Compass Retail arm. However, Lend Lease will not be buying ERE's 50 per cent interest in the Column Financial mortgage securitisation company.

Big Bang link leaves cloud of speculation

The Bankers Trust/NCB deal cheered investors but its real effect is unclear, writes Gillian Tett

As the business tie-up was announced between Nippon Credit Bank and Bankers Trust, the US group, yesterday in Tokyo, some senior Japanese financial officials could barely conceal their delight.

"This is precisely the sort of thing that we hope that Big Bang will be about – it shows Tokyo is open to foreign involvement," one said.

Their pleasure is understandable. In recent months, the reformers in Japan's financial circles have fought hard to promote two messages: first, that Big Bang will make the Japanese market more "global"; and second, that it will provide a smooth exit from the Japanese banking sector's deep problems.

Yesterday's tie-up appeared, at a stroke, to provide neat backing for both messages.

It is the first such deal to have been struck between a Japanese bank and a foreign institution – and has raised hopes that more might follow. Furthermore, it has boosted investors' faith that the troubled NCB might have a viable future – and eased fears that the potential collapse of the group could threaten the broader financial system.

These points yesterday helped push the stock price of NCB up by the maximum allowed in a day. It closed Y50 higher at Y218.

But two crucial questions remain. The first is the degree of Bankers Trust's real involvement in NCB – and in particular the management of the bank. The second is whether the proposed tie-up will really allow NCB to develop new business opportunities in a Japanese lending market that is increasingly over-banked.

On the first point, some issues remain unclear. According to the details announced yesterday, the groups have agreed an equity swap, probably in the next two months. This is unprecedented in Japan. However, the amount of equity to be exchanged will be only "symbolic" – probably less than 1 per cent, says Mr Noboru Sakata, NCB senior managing director.

Both NCB and Bankers Trust were at pains to counter suggestions that their tie-up was a "merger", let alone a takeover.

Both sides also dismissed suggestions that Bankers Trust would participate in the emergency capital increase is now planning. This seeks to raise an additional Y291bn ($2.3bn) of capital in the next month to prevent the group – saddled with Y1,260bn of bad loans from property lending – dropping beneath domestic capital adequacy ratios.

Instead, they insisted that the reason for the tie-up was to collaborate in two main areas. The first is NCB's overseas network, after its announcement earlier this month that it would withdraw from this. Bankers Trust is expected to ensure continuity of business for NCB's overseas clients' assets – although Mr Sakata says it is still unclear whether Bankers Trust will then buy NCB's overseas assets.

The second area is in the domestic market. Both groups hope to expand into securitisation, which has been largely undeveloped in Japan.

Such a strategy could yield big benefits for both groups. Bankers Trust will gain access to a large distribution network and ready-made customer base.

Meanwhile, NCB could gain some badly needed access to Bankers Trust's expertise in securitisation and other financial products, a diversification that could be crucial in deciding whether NCB is viable in the longer term.

However, both banks will need to lobby for a change in Japanese law: at present most types of securitisation are banned.

In the short term, NCB still has hurdles to overcome. The bank said yesterday it would probably take five years to clear all its bad debts. However, in coming weeks it is expected to issue more debentures. Concern about NCB's future has recently pushed the funding costs on NCB debentures 2.5 percentage points above that of Industrial Bank of Japan, the leading long-term credit bank. Unless the bank can narrow this spread, it could face fresh problems.

This is turn will depend on the bank showing that it can raise the extra Y291bn capital it badly needs.

The finance ministry has asked IBJ and Long-Term Credit Bank to contribute Y17bn and Y12bn, respectively, to the restructuring plan, with further financing from other financial groups and the government. However, the other Japanese banks have been slow to pledge their support. Yesterday's announcement also prompted irritation in some banking quarters about providing funds to an institution that may yield profits for a foreign rival.

The issue now is whether the deal will prompt similar tie-ups. Most analysts suspect Japanese banks are still too overvalued, and their bad debt levels too uncertain, to tempt many outside purchasers.

However, as one western banker in Tokyo said: "There are going to be a lot of people watching and wondering now – I would not think that anything can be ruled out."

NCB headquarters (top) yesterday. Despite joy among Japanese financiers, the bank still has hurdles to jump Reuter

Disposal of ships bolsters Orient

By John Ridding in Hong Kong

Orient Overseas, the Hong Kong shipping group, yesterday announced net profits of US$109.5m for 1996, a rise of 68 per cent, as exceptional gains on the sale of ships boosted operating results.

Mr C. C. Tung, who took over as chairman at the end of last year following the selection of his brother, Mr Tung Chee-hwa, as Hong Kong's post-colonial leader, described the performance as a good result in the face of deteriorating market conditions.

"This puts the group in a strong position to weather difficult business conditions due to additional capacity from large container vessels," Mr Tung said. "New capacity will continue to enter the market in 1997-98 and the operating environment in certain major trading routes is expected to be more difficult than in recent years."

He cited the Asia-Northern Europe and Asia-North American west coast routes as the toughest markets. Mr Tung said the group had been at the forefront of moves to cut costs and was benefiting from strategic alliances, including a partnership with American President Lines.

Turnover during the period rose by 12.6 per cent to US$1.88bn, while operating profits before financing costs increased from US$92.9m to US$103.1m.

The sale of eight vessels yielded an exceptional profit of US$57.7m for 1996, compared with a gain of US$2.4m the previous year.

Gearing fell from 40 per cent to 30 per cent at the end of last December.

Three new vessels with capacity of 4,960 TEUs (twenty foot equivalent units) were delivered last year, along with a smaller vessel. Two more 4,960 TEU ships are due in the group's fleet renewal programme.

Mr Tung said the new vessels enabled lower operating costs and improved efficiency, and would help combat rising competition and excess capacity on certain routes.

Partly as a result of the rising competition in the shipping sector, Orient Overseas has been diversifying its businesses and expanding into the mainland market.

The company announced a final dividend of 1.6 US cents, giving a total dividend of 2.6 US cents, up 25 per cent on 1995.

ASIA-PACIFIC NEWS DIGEST

Final bids in for Australian airports

All six remaining bidders for the three main Australian airports due to be privatised submitted final offers yesterday, although the results of the auction may not be known for several weeks.

The auction is for the Melbourne, Brisbane and Perth airports. It represents the first tranche of the planned privatisation of all 21 airports run by the Federal Airports Corporation. There has been strong interest in the properties, which are being sold on a long-lease basis, and it is estimated that the sale of the first three could raise about A$2.5bn (US$1.95bn).

The remaining bidders are Australia Pacific Airports Corporation, a consortium comprising BAA, of the UK, the AMP and Axiom Funds Management; Australia Airport Services, made up of Australia's Brambles and Lend Lease groups and Ireland's Aer Rianta; and a group headed by Macquarie Bank and including Manchester Airport and the Serco group. Each consortium has expressed an interest in all three properties.

A fourth group, Airport Group Australia, which takes in Lockheed Martin, of the US, and Soros Capital, is interested in Perth, while Queensland Airport Corporation, which involves Bankers Trust, Hastings Fund Management and some local Queensland investors, is seeking to acquire Brisbane. A partnership between Commonwealth Bank and Schipol, of the Netherlands, is interested in both Perth and Brisbane.

Advisers are likely to review the final bids over the next two weeks. *Nikki Tait, Sydney*

Ranbaxy profit growth slows

Ranbaxy Laboratories, the leading Indian pharmaceutical manufacturer, has reported a slowdown in profit growth for 1996-97.

The company, which sells its products in 45 countries and has manufacturing operations in seven, lifted net profit 11 per cent in the year to March from Rps1.35bn to Rps1.49bn ($41.6m). This compared with a 26 per cent increase in the previous year.

However, sales exceeded Rps10bn for the first time, rising 22 per cent to Rps10.65bn. *Tony Tassell, Bombay*

San Miguel dismisses fears

San Miguel, the Philippine food and beverage giant, yesterday denied that its recent sale of a majority stake in its Coca-Cola bottling subsidiary to Australia-based Coca-Cola Amatil (CCA) would hit 1997 earnings, following negative market sentiment towards the deal. San Miguel's B shares have fallen as much as 16 per cent since the restructuring was announced last Thursday, before recovering to close yesterday at 80 pesos.

The company said the deal would enable the group to participate more fully in the global growth of Coca-Cola. *Justin Marozzi, Manila*

Hitachi and Toshiba link up

Hitachi and Toshiba, two of Japan's largest integrated electronics companies, have agreed to link up in next-generation high-speed networking products.

The deal represents a rare collaboration between the two companies, which have competing products in most segments of their businesses, from semiconductors to heavy electrical machinery and telecoms equipment. Although they have reached broader industry agreements, this is their first product alliance.

Under the deal, which covers high-speed networking products for the Internet and intranets, Hitachi will provide Toshiba with switches for corporate use, while Toshiba will supply Hitachi with cell switch router technology and CSR controllers.

The two companies hope to expand their alliance to joint product development. *Michiyo Nakamoto, Tokyo*

Groups form Internet alliance

NTT Data, MCI and BT have agreed to co-operate in Internet services. The three companies are linking up initially to provide a global Internet dial-roaming service which would allow users to access the Internet easily outside their home country.

NTT Data said the new service would be priced at about a monthly fee of Y300 ($2.37) and an access fee of Y900 an hour – significantly less than the international phone call charge that travelling users generally have to pay. *Michiyo Nakamoto*

Taiwan Semi to invest in new plants

By Laura Tyson in Taipei

Taiwan Semiconductor (TSMC) aims to bolster its position as the world's leading pure foundry chip maker by investing T$400bn (US$14.5bn) over the next decade in advanced technology chip plants.

The company plans to build six wafer fabrication plants in a new science park in southern Taiwan, demonstrating confidence in the future of the semiconductor sector despite a downturn over the last year. Philips, the Dutch electronics concern, and the Taiwan government hold stakes of 34 per cent and 21 per cent, respectively, in TSMC, which was founded in 1987.

The announcement is also an important boost for the Tainan Science-Based Industrial Park, which broke ground last year and is modelled on a highly successful high-tech park founded in the early 1980s in northern Hsinchu.

"The plan shows Taiwan Semiconductor's commitment to Taiwan and its commitment to stick with its long-term strategy regardless of industry cycles," one analyst said. The company has said it would build a new plant every 18 months to stay abreast of technological advances and rising demand.

The planned facilities include a T$80bn plant to make 12-inch semiconductors and a T$40bn factory to make eight-inch wafers.

As a dedicated foundry service, TSMC does not design integrated circuits but manufactures on contract according to blueprints supplied by design houses and chip makers.

Mr Donald Brooks, TSMC president, said the group was "moving energetically" to bring its long-term investment plans in line with the government's policy of developing southern Taiwan.

The cluster of wafer manufacturing sites and research and development facilities is expected to employ 5,000 people – more than doubling the company's current workforce of 4,300.

TSMC said it expected the global microchip market to grow to US$300bn by 2000.

Plastic cards gain Chinese acceptance

The People's Bank expects 200m cards to be issued in China by 2003, says James Harding

In Asia, consumers tend to use cash – more than 92 per cent of sales transactions are conducted in cash and in China the proportion is even higher.

Such cultures promise "unbelievable growth" to Mr Edmund Jensen, president and cief executive of Visa International, which has expanded exponentially in the region as Asian consumers convert in droves to credit and debit cards.

In an interview, he frequently repeats a favourite statistic: Visa transaction volumes have grown about 25 per cent a year for the past three years, while consumption levels have only grown approximately 5 per cent.

"Our growth has been displacing cash, not extending credit," he says, explaining how Visa card transaction volume in Asia-Pacific grew to $171.8bn in the year to December 1996.

In China, Visa's volume grew to $59.3bn in 1996 and the number of Visa cards in issue rose to 11.9m, up 45 per cent on the previous year. Of those, the vast majority are debit cards, with credit cards numbering only a few thousand.

Visa describes current sales as "a drop in the bucket" and this week the company is pushing further into the Chinese market with publicity-oriented initiatives.

Today, more than 100 Shanghai outlets will be authorised as Visa outlets, expanding the web of Chinese hotels, restaurants and shops now accepting plastic from the growing number of international tourists.

Yesterday, Visa launched its first affinity card with a cultural institution – the Shanghai Museum Dragon Affinity Card, a debit card issued as a partnership between the China Construction Bank and the Shanghai Museum, Shanghai's beacon of cultural regeneration.

At the beginning of this week, Visa announced the first Hong Kong dollar-based credit card, issued by the Guangdong Development Bank, adding to the only other international credit card issued in China – a US dollar card issued by Industrial and Commercial Bank of China.

The credit cards are issued in foreign currency because until China introduces full currency convertibility, international credit cannot be authorised in Chinese yuan.

That is only one reason, though, for the sluggish development of the credit card business. Beijing has been concerned about fostering a credit boom in China's increasingly commercial culture and, as a result, ICBC has issued less than 3,000 credit cards.

Mr Dennis Goggin, president of Visa International Asia-Pacific, says: "In most emerging markets, the government is very wary of starting out with an expansion of consumer credit. In China, they are not looking to grow that part of the economy and also there is no credit checking, no credit scoring, so the credit growth is very slow."

Mr Jensen forecasts progress in the credit card business: "Debit cards are growing very rapidly here and after the banks get that card base, they move into opening lines of credit for consumers."

Visa's competitors – Mastercard and American Express – are equally excited by that prospect.

Visa, which has been in China for eight years, is trying to expand its presence by helping the People's Bank of China, the central bank, with its "Golden Card Project". China's vision of a modern, electronic cashless payment system.

The project would catapult China to a level of cashless payment that surpasses that of many western economies. The Golden Card involves a chip card system intended to work as an "electronic wallet", offering credit, debit and stored value for paying bills or making purchases over the Internet.

Mr Jensen believes China can "leapfrog" Western countries, because it "does not have the baggage of existing infrastructure". His colleague, Mr Goggin, suggests such a leap is not only possible but likely, given the analogy with cellular telephones, which took off more quickly in Asia than in Europe, where people were already tied to land lines.

By 2003, the People's Bank forecasts that more than 200m payment cards will have been issued in China. Given that Visa has issued 550m cards after 25 years in the business, Mr Jensen suggests China's targets are "ambitious", but "three years ago, we were talking about a few million cards; now there are 40m, so 200m is attainable by 2003".

Aon in talks to purchase Minet

By Christopher Adams, Insurance Correspondent

Aon, the acquisitive international insurance broker, is in advanced *talks on the purchase* of Minet, the loss-making UK broker owned by St Paul Companies, the US property and casualty insurer.

A deal would end St Paul's months-long search for a buyer. Aon's main rival, US-based Marsh & McLennan, tabled an offer earlier this year and completed due diligence only a few weeks ago.

Aon might be prepared to pay between $50m and $100m for Minet, which made a $13m loss on income of $370m in 1995.

The UK broker would join two other large global brokers in Aon's rapidly expanding stable. Under Mr Patrick Ryan, chief executive, Chicago-based Aon has pursued a strategy of building critical mass very quickly in a mature area of financial services where margins are slim and consolidation is accelerating.

Earlier this year, it bought US rival Alexander & Alexander for $1.23bn. *It acquired Bain Hogg from* Inchcape for $252.9m last October. The speed with which it was able to make an offer for Minet was in part a result of its purchase of Alexander & Alexander, which had itself been in talks with St Paul about buying Minet and had detailed information about the broker.

Marsh & McLennan is thought to be concerned over the cost of managing Minet's liabilities. The UK broker's chief strength is the professional indemnity insurance it brokers for the so-called "Big Six" accountancy firms and US solicitors. This can be costly to service over an extended period.

Marsh & McLennan announced *only last month the $1.8bn acquisition* of Johnson & Higgins, another *large global broker based in the US.* Its involvement with Minet had followed buy-out proposals from Minet's own management.

St Paul announced last October its intention to sell Minet, estimating this would result in a pre-tax loss of $250m.

However, the charge was offset by an estimated tax benefit of $266m from the sale, since Minet's federal income tax carrying value is higher than book value.

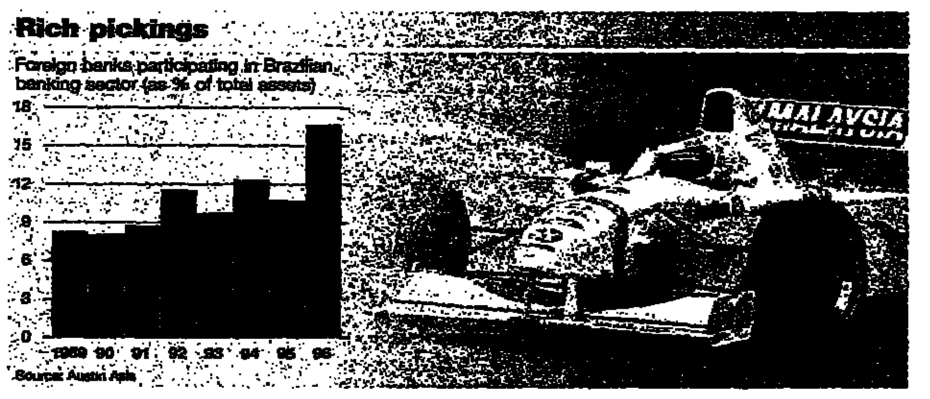
It had appointed Goldman Sachs to look at the company after restructuring failed to turn it round. Analysts said over-expansion in the *highly competitive US retail market* had contributed to the losses.

St Paul bought the 74 per cent of Minet it did not already own for $515m in 1988, when Minet employed 4,000 people and had about 100 offices. In 1993 St Paul wrote off $365m of goodwill attached to Minet.

Foreign banks vie for pole position

Geoff Dyer follows the race for market share in Brazilian financial services

With fortuitous timing, HSBC enjoyed a high profile at the Brazilian grand prix. As one of the sponsors of the Jackie Stewart motor racing team, the international banking group's logo was prominently displayed on the car of local boy Rubens Barrichello, *one of the race's* star attractions.



On the same day, the group took out full-page advertisements in Brazil's national newspapers, assuring customers that it would be business as usual at Banco Bamerindus, one of *the country's five largest* banks, which HSBC bought *for US$1bn at the end of* March.

HSBC's investment is the largest and latest evidence of the increasing interest from international banks in Brazil, following similar announcements in recent weeks from the UK's Lloyds TSB and Banco Santander, of Spain.

Economic reforms that brought inflation under control have *set off a consumer* boom, leading to strong demand for financial services products. Hundreds of thousands of Brazilians have found themselves able to open a bank account for the first time. "Hyper-inflation prevented long-term financial savings," says Mr David Thomas, president of Lloyds Bank in Brazil.

At the same time many *Brazilian banks, which in* the era of high inflation used to make more than 40 per cent of their profits from the time lag in between receiv*ing and paying funds, have* been severely weakened by the new economic stability. This has left rich pickings for well-capitalised foreign banks.

"The investment reflects the fact that the stabilisation plan has matured. People now have confidence that we are seeing sound economic *management," Mr Thomas* says.

*However, HSBC's announ*cement – and the news that Banco Santander is to take a majority stake and invest up to $220m in Banco Geral de Comércio – represent the first forays by foreign groups into retail banking in Brazil.

Until recently, foreign banks had taken the view that the mainstream retail market was too crowded. As well as the large number of private banks, nearly half of the banking system is still in the hands of federal or state-controlled banks, which *have captive client bases* and less than accountable managements.

A few foreign institutions – such as Citibank and Bank of Boston, of the US – have small branch networks. However, these are aimed at the top end of the market; most foreign banks have chosen instead to focus on *niche sectors in consumer* banking, such as credit *cards or financing car sales.*

But both HSBC and Santander believe they have a trump card in more sophisticated and cheaper technology. Mr Jaime de Pinies, a managing director with Santander International, says: "We have the ability to *transfer our technology sys*tem from our existing network, which will be very efficient." Santander has authorisation to open up to 200 branches.

Mr Michael Geoghegan, *the new president of HSBC* Bamerindus, which has more than 1,200 branches, says the group will have an edge over the local competition in providing services such as telephone banking. He also believes that the HSBC group's international network will attract more corporate business to Bamer*indus. "We already do busi*ness with 300 of the top 500 Brazilian companies around the world," he says.

Brazilian analysts agree that even the best local banks have a long way to go in terms of improving service and reducing bureaucracy in branches. However, they point out that one of *the legacies of hyper-infla*tion was a high degree of *technological sophistication.*

Bankers believe that com*petition from* HSBC will give new impetus to the consolidation of the Brazilian bank*ing industry, with the large* number of small banks continuing to be mopped up by their larger rivals.

Foreign banks are likely to play a large part in this process. In choosing to accept HSBC's offer for the ailing Bamerindus, the Brazilian central bank has sent out a strong signal about its willingness to let foreign groups play an important role in the banking system – a position that would have been unthinkable even a few years ago. It hopes the presence of foreigners in retail *banking will increase credit* to small businesses.

*Following similar take*overs of Banco Nacional and Banco Económico, the sale of Bamerindus solves the last of the significant problems facing the large private banks in Brazil.

The main issue still to be resolved is the future of Banespa and Banerj, the state-owned banks of São *Paulo and Rio de Janeiro.* HSBC will be hoping for *speedy privatisation of both,* as this would likely be accompanied by branch closures, leaving more room for expansion in urban areas.

Like the other foreign banks, HSBC has placed a large bet on Brazil's ability to maintain low inflation and steady economic growth. The group will also be hop*ing for better luck on the* race track: Rubens Barrichello pulled out after 15 laps.

JP Morgan lower but beats forecasts

By Tracy Corrigan in New York

J. P. Morgan reported a *slight year-on-year drop in* net income in the first quarter of 1997, but still managed to beat analysts' estimates.

However, the results highlighted the difficult earnings comparisons that banks and securities firms involved in the capital markets will face this year.

The second quarter of 1996 was particularly *strong, with* heavy issuance of securities and favourable trading conditions. The recent market *weakness – since the end of* most firms' first quarters – has already damped underwriting activity.

"We expect very good results in the capital markets this quarter, but you have to think that the next couple of quarters are not going to be anywhere near as easy," said Mr James Hanbury, bank analyst at Schroder Wertheim.

J.P. Morgan's net income of $424m in the first quarter was down from $439m in the same quarter of 1996 as a *result of higher operating* expenses, though it was $5m higher than in the previous quarter.

The investment bank had reported "exceptional" fixed income results in the first quarter of 1996.

Earnings per share of $2.04 per share, comfortably ahead of analysts' estimates of $1.92, were *in line with those* of the previous quarter.

However, operating expenses were 10 per cent higher than the same period a year ago at $1.19bn, *reflecting "investments in* areas targeted for growth, including investment banking, equities, investment management, and private client services", the bank said.

At the end of the quarter there were only 50 more staff than a year ago, at 15,483.

Heavy investment in the development of its invest*ment banking business has* hit J.P. Morgan's return on equity, which is running at 15.7 per cent, compared with *more than 20 per cent for* most investment banks.

Return on equity was "on the low side", said Mr Hanbury, at Schroder Wertheim, "but there is nothing wrong with the margins", adding that the recent stock buyback was a sign that management was willing to do more for shareholders.

The return on equity *is* also depressed by J.P. Morgan's *use of capital to secure* a credit rating higher than most of its investment banking competitors.

Record start to year for Chrysler

By Haig Simonian, Motor Industry Correspondent

Chrysler yesterday reaffirmed its position as the smallest, but most profitable, of the "Big Three" US car companies by announcing record sales and profits for the first quarter.

Pre-tax profits rose 2 per cent from $1.67bn to $1.70bn as sales climbed 8 per cent to $16.1bn. Earnings per common share jumped from *$1.32 to $1.46.*

However, analysts warned that prospects for the full year remained clouded. The recent rise in US interest rates, and expectations of further increases this year, *have hit* carmakers' shares on fears that rate rises may depress sales.

Chrysler also faces stiffer competition from new entrants to its two strongest product areas of sports utility vehicles and pick-up trucks.

"We're optimistic as we enter the spring selling season and we continue to maintain our US industry sales forecast for the 1997 calendar year at 15m to 15.5m units, assuming the economy holds and interest rates don't increase substan*tially," said Mr Bob Eaton,* chairman.

***He expressed confidence* in the outlook, in spite of rising Japanese competition because of the weak yen and capacity constraints at some Chrysler plants. The company said it had raised its North American production plans for the second quarter by *1.2* per cent to 794,100 units.**

***Chrysler continues to be* buoyed by its relative strength in light trucks and sports utility vehicles – two of the fastest growing segments of the US car market.**

The company this week announced it would spend $1.3bn over the next five years to raise capacity at a number of US factories to meet demand. The bulk of the investment will go on *the Jefferson North plant in* Detroit, which builds the popular Jeep Grand Cherokee model.

Sales in the US and Canada in the first quarter fell from 644,678 to 626,844 units, reducing Chrysler's market share from 16.3 per cent to 15.6 per cent. The average incentive required *to sell vehicles rose from* $640 in the first quarter of *1996 to $705 in the same* period this year, reflecting greater competition.

However, the fall in North American sales was offset in part by a 4 per cent rise to 55,601 in unit sales outside the region.

Chrysler is investing heavily to raise its international presence, with new *factories under construction* in Brazil and Argentina and an expansion of its capacity in Austria.

AMERICAS NEWS DIGEST

General Electric meets expectations

General Electric, the largest US company, yesterday unveiled net profits of $1.67bn for the first quarter, an increase of 11 per cent. Earnings per share were ahead 12 per cent to $1.02, reflecting the company's aggressive $13bn share repurchase programme which started in December 1994.

Increased globalisation, and strong sales by the company's equipment division, helped drive revenues up *18 per cent to $20.2bn for the quarter, compared* with the equivalent quarter of 1996, while the operating margin increased to 14.3 per cent.

The results were accompanied by continued bullish predictions from the company's chief executive, Mr John Welch, who said the company was well positioned to deliver "another year of record performance". However, the earnings figures were exactly in line with consensus analysts' estimates, and the company's share price fell $½ *in early trading to $101½.*

Only two of the company's 12 divisions – materials and medical systems – failed to increase earnings against the equivalent quarter of 1996. The strongest growth came from GE Capital Services, the group's acquisitive financial services subsidiary – which bought the Coregis property and casualty insurance business from Xerox during the quarter – as well as from power systems, which was strengthened by exports to emerging *economies, and from its aircraft engines subsidiary.*

NBC, its US television network, also increased earnings and maintained its ratings lead over the other US networks. However, its earnings growth was relatively slow. GE attributed this to the loss of this year's Super Bowl, the climax of the US gridiron football season and the nation's most watched televised event, to the rival Fox network.

John Authers, New York

Compaq agrees Microcom buy

Compaq Computer, the world's largest personal computer manufacturer, is to buy Microcom, a Massachusetts-based maker of remote access technology products, for about $280m, or $16.25 a share, in cash.

Compaq said it would combine Microcom's modem and access technologies with its experience in NT platforms to develop remote access price/performance advancements.

"Development of the strategically important and rapidly growing remote access market is a top priority in Compaq's move to expand its communication products business," said Mr Alan Lutz, senior vice-president of Compaq's communication products group. Compaq estimates demand for remote access servers will grow from $3bn in 1996 to $8.3bn in 2000.

In a separate move earlier this week, Compaq said it was moving to "build to order" manufacturing in an attempt to cut stock costs further. Compaq's stock of parts and finished goods was valued at $1.6bn at the end *of 1996, down from $2.6bn a year earlier. Mr Eckhard* Pfeiffer, president and chief executive, said the new strategy was essential to the company's success.

Compaq is implementing the plan in the US and Australia beginning in May, followed by the rest of the world during 1997. In the US, Compaq aims to have 80-90 per cent of PC sales "built to order" by the end of the year.

Analysts, who have sometimes been critical of Compaq's high levels of inventories, praised the move.

Geof Wheelwright, Houston

Quaker Oats sees growth

Quaker Oats, the US foods group, expects first-quarter earnings per share to be above analysts' estimates of 18 cents, driven by volume growth from Quaker's name-brand and bagged ready-to-eat cereals, double-digit volume growth in US Gatorade products, and volume growth in hot cereals. Quaker said earnings per share would be at least equal to last year's 22 cents, which excluded a one-off gain on the sale of the company's Italian foods business. The 1997 first quarter outlook excludes a one-time loss of about $8.40 a share from the anticipated sale of Snapple this year.

Reuter, Chicago

TCI abandons spin-off plans

Tele-Communications Inc, the largest US cable company, has scrapped plans to spin off three subsidiaries, citing a ruling by the Internal Revenue Service that the spin-offs would not be tax-free to shareholders.

The IRS had requested that the estate of Mr Bob Magness, the TCI chief executive who died in November 1996, agree not to dispose of its stock after the spin-off.

However, the estate was unable to make such an undertaking because of its fiduciary duties to the beneficiaries, and accordingly, the IRS determined not to provide the three tax-free rulings the company had requested.

AP-DJ, Colorado

Rise in VW sales spurs shares surge

By Graham Bowley in Wolfsburg

Volkswagen, Europe's biggest carmaker, consolidated its recovery yesterday with a sharp increase in first-quarter sales.

The upbeat figures pushed VW shares through DM1,000 for the first time after the company, dogged by allegations of industrial espionage and bribery, announced unit sales up by 9.5 per cent against the same quarter last year.

VW's shares later fell back, but ended up DM54.50 at DM996.

Although the company gave no profit figures for the first quarter, Mr Ferdinand Piëch, chairman, said: "Already it is better than last year."

The upbeat first quarter, in spite of weak growth in VW's main European markets, followed a strong 1996, when net profits more than doubled to DM670m ($389.6m) from DM336m on the back of a 13.6 per cent increase in sales to DM100.1bn.

VW yesterday surprised analysts with figures showing 1996 earnings per share up strongly from DM22 to DM55, against analysts' expectations of about DM30.

The group attributed the stronger than expected eps to an adjustment to its pensions provisions to reflect the lower interest rate environment and to bring its practice more into line with international accounting standards. While the higher provisions detracted from the 1996 net profit figure, they are included when earnings per share are calculated.

At the company's annual press conference yesterday, Mr Piëch urged caution for the remainder of the year. VW will face substantial launch costs for its next-generation Golf – Europe's most popular car – due in September, and for the recently released Audi A6 saloon.

"This year will be one of the most difficult for the company," he said.

VW said conditions in the world car market were unfavourable, with little growth expected in Europe or the US. But Mr Piëch said VW was determined to continue cutting costs and improving productivity. He was confident VW would raise market share in spite of the generally weak conditions.

"The biggest risk is that we are not able to build enough cars. The market itself looks good," he said.

Mr Bruno Adelt, chief financial officer, said more favourable exchange rates – particularly the stronger US dollar, pound and lira – had boosted pre-tax profits by DM600m. VW confirmed it would raise the dividend from DM6 to DM9 on its ordinary shares and from DM7 to DM10 on its preference shares.

In the first quarter of this year, sales in western Europe grew only 2.5 per cent compared with a year earlier.

By contrast, North American sales, which had recovered in 1996, increased 15.2 per cent. Sales in eastern Europe advanced 27.9 per cent, while sales in Asia grew 26.5 per cent. Sales in South America and Africa increased 17.9 per cent.

Ferdinand Piëch: confident VW would raise market share in spite of weak conditions Reuter

DnB increases offer for mortgage lender

By Greg McIvor in Stockholm

Den norske Bank, Norway's biggest, yesterday raised the stakes in a takeover battle with Fokus, a smaller rival, by increasing its offer for BNbank, a leading mortgage lender.

DnB said it had raised its offer from NKr195 a share to NKr207, valuing BNbank at NKr1.92bn ($275m). Fokus, which is seeking to merge with BNbank, has offered the equivalent of NKr211.10 a share in paper and cash.

"We think this is a good offer. Cash is a better way of paying shareholders than shares," DnB said. It added it had recently acquired share options in BNbank equal to 18.6 per cent of the capital, on top of an 8.7 per cent equity holding. This would be enough to block Fokus, whose merger bid depends on 90 per cent acceptance among shareholders.

Fokus has already raised its bid once and said it would study DnB's revised offer before responding. Industry observers predicted it was unlikely to succeed in a head-to-head contest with DnB.

Mr Per Ravlo, banking analyst at Fearnley Fonds, an Oslo stockbroker, said: "Today DnB has shown its muscles. It has more than 27 per cent of the shares and it is definitely a done deal," he said.

However, he suggested DnB was offering too much for BNbank, which has total assets of NKr23.4bn and made pre-tax profits of only NKr176m last year.

DnB stressed the acquisition would strengthen its presence in Trondheim, Norway's third city, where BNbank is based, as well as bolstering its position in the market for long-term mortgages to businesses.

DnB is committed to maintaining its status as Norway's largest financial services group, a position threatened by a merger proposed this month between Storebrand, the biggest Norwegian insurer, and Christiania, the second-largest bank.

Shares in BNbank, which have surged 26 per cent in the past month, slipped NKr1.50 to NKr209 in Oslo yesterday. DnB shares closed unchanged at NKr27.80 and Fokus stock eased NKr0.50 to NKr67.

EUROPEAN NEWS DIGEST

Telecoms boost Mannesmann

A breakdown of 1996 profits by Mannesmann yesterday confirmed the German industrial conglomerate's dependence on the fast-growing telecommunications sector. Overall operating profits rose 11 per cent to DM1.01bn ($587m), but the figure from telecoms more than doubled from DM464m to DM947m.

Mannesmann is among the groups hoping to build a business to rival Deutsche Telekom, Europe's largest telecoms group. Mannesmann's traditional tubes and trading division reported a loss of DM92m in 1996, after a DM38m profit the previous year. Engineering saw a profit of only DM18m, after DM278m in 1995. The automotive sector improved from DM115m in 1995 to DM185m. Mannesmann presents its detailed results later this month. *Ralph Atkins, Bonn*

Shake-up restrains Mapfre

Mapfre, the leading Spanish insurance group, reported a 6 per cent increase in consolidated pre-tax profit last year to Pta35.89bn ($247m), on total revenues 12 per cent up at Pta603.58bn. Strong earnings in the group's main domestic businesses were offset by a Pta329m loss in its foreign operations, mainly stemming from restructuring in Colombia and what it said was a temporary setback in Chile.

Mapfre Mutualidad, the member-owned motor insurer which is the group's parent company, increased earnings 30 per cent to Pta17.63bn, although premium income was only 1 per cent higher at Pta160.07bn. Attributable net profits at the listed holding company, Corporación Mapfre, which is controlled by Mapfre Mutualidad, were revised downwards to Pta9.74bn. This was an increase of less than 2 per cent over 1995. Earnings before tax were 1 per cent down at Pta17.72bn. Mapfre Vida, its life assurance and pensions subsidiary, which is also listed, increased net profits 21 per cent to Pta8.06bn. *David White, Madrid*

Deal set for Budapest Water

A Franco-German consortium of Lyonnaise des Eaux and REW-RWE Aqua will today sign the contract for a 25 per cent plus one vote stake in Budapest Water Works. The consortium outbid the pairing of Générale des Eaux and Berliner Wasser Betriebe in an open tender and will pay $81.6m for the stake. The deal also gives it management rights for 25 years. A total of 73 per cent of the company will remain in municipal hands. Lyonnaise des Eaux, which is expected today to announce details of its merger with French holding company Suez, already runs two other water companies in Hungary under concession contracts. *Kester Eddy, Budapest*

Rauma divestment accelerates

Finnish pulp and paper group UPM-Kymmene has accelerated the unwinding of its 73 per cent stake in Rauma, the forest industry machinery and engineering group. It said yesterday it planned to reduce its interest to below 50 per cent "as soon as possible". The move follows its announcement last month that it would pay the bulk of its 1996 FM1.2bn ($233m) dividend in the form of Rauma stock, as part of a strategy to cut its stake to below 60 per cent. Rauma said yesterday the FM4.50 per-share payout would comprise FM1.50 cash and FM3 stock.

"UPM-Kymmene and Rauma now agree that the shareholders of the both companies will be best served by reducing the UPM-Kymmene holding in Rauma as soon as possible, subject to market conditions," UPM-Kymmene said. For the longer term, UPM-Kymmene plans to retain a large minority shareholding in Rauma. *Mark Mulligan*

Bombril to buy control of Italian foods group

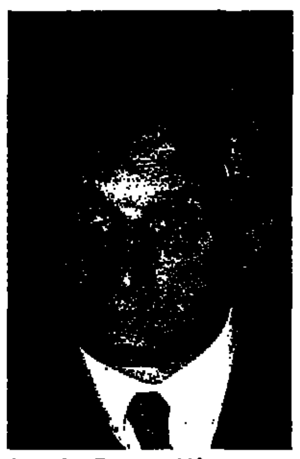
By Jonathan Wheatley in São Paulo

Mr Sergio Cragnotti, the Italian entrepreneur, yesterday announced plans to transfer control of Cirio, the Italian dairy and vegetable foods group, to Bombril, a Brazilian manufacturer of household cleaning products.

The move is designed to give Cirio exposure on the New York Stock Exchange without passing through a listing process in its own right.

Bombril's board yesterday approved plans to issue $300m in new stock to cover part of the purchase of up to 80 per cent of Cirio for $380m. Cragnotti & Partners said it would underwrite $120m of the issue, doubling the value of its existing investment in Bombril. The capital raised would also be used for "domestic and international investments" in Bombril and Cirio's business areas.

Mr Cragnotti's group owns 100 per cent of Bombril's voting stock; preferential shares are traded in Brazil and level I American Depository Receipts in New York. Under the deal, Bombril will become a multinational holding company and change its name to Bombril-Cirio.



Sergio Cragnotti: soccer used to promote his brands

SBC Warburg and ABN Amro Hoare Govett acted as consultants on the deal. Details of the Bombril share offer, including issue price, have yet to be confirmed.

The move follows the sale last year of Bombril's loss-making powdered soap business to Procter & Gamble, which the company said would allow it to concentrate on its core areas of wire wool, scouring powder and fabric conditioner. Bombril previously sold a tomato processing company, Cica, to Gessy Lever.

Brazilian analysts questioned the merits of the deal. "We will have to wait and see what is the effect for Bombril's minority shareholders," one said, "but it seems strange to diversify into the Italian food business so soon after deciding to concentrate on core activities in Brazil."

Bombril had turnover in 1996 of about $400m. Cragnotti & Partners said the new company would have annual turnover of $1.5bn and would aim for sales of $2bn within three years. The company said it planned to distribute Bombril and Cirio branded goods on domestic and international markets.

Mr Cragnotti, who owns Lazio, the Italian first division football club, is in Brazil at the moment attempting to negotiate the purchase of Brazilian star Ronaldo for a world record fee. A successful deal for Ronaldo, who plays for Spanish club Barcelona, will enhance Lazio's prospects for a proposed listing on the London Stock Exchange.

Mr Cragnotti has used his football interest to promote his food products in Italy and Brazil.

Spanish utilities seek EdP stakes

By Peter Wise in Lisbon

Spain's three biggest electricity producers will seek holdings in Electricidade de Portugal when the power utility is privatised in June.

This is expected to lead to cross-holdings in the Iberian electricity sector aimed mainly at expanding business through acquisitions in Latin America.

Spain's Endesa, Iberdrola and Unión Fenosa have made clear their intention to buy holdings. EDP is subsequently expected to acquire a stake in one of the Spanish companies.

EDP and state-controlled Endesa were part of an international consortium that last year bought a controlling stake in Cerj, the electricity company for the Brazilian state of Rio de Janeiro.

The global offering of EDP, scheduled for June 16, will limit investors to a maximum of 5 per cent of the group's total capital, which is valued at about Es1,500bn ($8.7bn).

After the sale, shareholders will be able to build their stakes, but will need government permission to go above 10 per cent. However, new statutes approved by EDP on Wednesday will limit voting rights to 5 per cent, regardless of how much capital an investor acquires.

The Socialist government has approved the sale of up to 49 per cent of EDP, of which about 30 per cent is expected to sold in June and the remainder in 1999.

Mr Augusto Mateus, Portuguese economy minister, said no prior agreements would be made on the sale of holdings. Groups would have to compete for stakes on the open market.

The offer, Portugal's biggest privatisation, is expected to raise in the range of Es150bn to Es200bn from two or three strategic investors, Es150-Es200bn from international and Portuguese institutions, and up to Es100bn from retail investors.

Demand for EDP shares from small savers is already strong. More than Es50bn has been deposited in special accounts for small investors that banks have created for the sale.

EDP, which on Tuesday reported a 22 per cent rise in consolidated net profit for 1996, to Es81.1bn, expects to acquire more than 300,000 shareholders. This would be more than twice the number of investors in Portugal Telecom, which was involved in the country's previous biggest offering.

AP Moller ahead 29%

By Hilary Barnes in Copenhagen

A. P. Moller, the Danish conglomerate, attributed a 28.6 per cent surge in 1996 pre-tax profits from DKr2.79bn in 1995 to DKr3.59bn ($548m) to expansion in its Maersk Line container operations and rising production and prices for oil and gas in the North Sea. Net profits rose from DKr1.80bn to DKr2.23bn.

Turnover at the shipping – where the group forecast further improvement – and oil and gas businesses rose from DKr28.5bn to DKr33.0bn. Including figures from associated companies, group turnover rose from DKr66.6bn to DKr77.3bn.

The dividend paid by the associated companies to the parents was lifted from DKr186m to DKr210m.

Profits in the main shipping business rose from DKr704m to DKr857m before disposals and special items. Turnover increased from DKr24.86bn to DKr28.06bn.

The oil and gas business, where A. P. Moller is the operating company for a consortium including Shell and Texaco in the Danish sector of the North Sea, increased operating profit from DKr1.29bn to DKr2.05bn.

Maersk Line, the world's leading container-carrying service, took delivery last year of four of the largest liner vessels yet built, which helped cut unit costs.

The group is headed by two listed companies, D/S 1912 and D/S Svendborg. The dividend at 1912 was increased from DKr600 to DKr750 a share, while that at Svendborg was lifted from DKr900 to DKr1,150. The total payout rose from DKr264m to DKr333m.

● Danish conglomerate Sophus Berendsen, which holds a 36 per cent stake in the UK's Rentokil, yesterday reported a rise in after-tax profits from DKr875m in 1995 to DKr916m last year.

However, after extraordinary items the result fell from DKr959m to DKr910m. The group's share of profits from Rentokil rose from DKr980m to DKr1.14bn. The dividend was lifted 10 per cent – from DKr5 to DKr5.50 – or 21 per cent after a scrip issue.

Titan Cement advances 63%

By Kerin Hope in Athens

Titan Cement, the Greek producer, raised consolidated pre-tax annual profits by 63 per cent to Dr19.2bn ($71m) last year. It attributed the improvement to strong local demand and improved international prices.

Turnover rose 10.3 per cent to Dr108.2bn.

The group said a second-half recovery in private construction and the launch of several infrastructure projects funded by the European Union had boosted sales.

Margins improved because of a 34 per cent drop in interest expenses, and tight controls on production costs at Titan's four cement plants in Greece and a fifth at Roanoke, in the US.

The group is proposing an after-tax dividend of Dr420 a share, against Dr320 in 1996.

Titan is negotiating for a stake in Halkis Cement, a smaller Greek producer, through a joint venture with Concretum, part of Italy's Ferruzzi group.

Concretum already controls Heracles Cement, the biggest Greek producer, and paid Dr36bn to acquire Halkis last year.

As part of a regional expansion plan, Titan is preparing to bid for cement plants due to be privatised in Albania and Bulgaria.

European Commission only seeking two substantial concessions on $20bn deal

EU to approve BT-MCI merger

By Alan Cane in London and Emma Tucker in Brussels

The European Commission is demanding only two substantial concessions from British Telecommunications, the UK telecom company, and MCI, the US long distance carrier, in return for approval of a $20bn merger between the two companies.

European Union sources indicated yesterday that the conditions were not posing any serions problems and that the planned merger was now expected to be given the go-ahead next month, well ahead of the June 11 deadline for the Commission's anti-trust probe.

The deal, which also has to be cleared by US competition authorities, will create the world's second biggest telecommunications group with annual turnover of some $42bn. US competition officials are not expected to give their verdict until the autumn, but it is unlikely that they will raise substantial objections.

It is understood that one of the Commission's biggest concerns was BT's dominant position in the UK audio and video conferencing market, a situation it will be required to modify.

The second condition is that BT will have to guarantee access for competitors to its transatlantic submarine cables.

This reflects Brussels' concern that BT and MCI will have a monopoly on the route between the UK and the US.

Earlier this week an advisory committee of competition officials from the EU's 15 member states raised no objections to the project, ahead of the Commission's formal approval.

Competitors of the merging companies mounted an intensive lobbying campaign in Brussels, urging officials to consider whether further liberalisation of the UK telecoms market should be demanded as a precondition for the merger.

The main complaint from AT&T, the US's largest telecoms operator, is that customers of foreign operators in the UK have to dial a prefix code to get access to their networks, a cumbersome procedure which they argue is anti-competitive.

The merger is taking place against a background of rapid change in the telecommunications sector. AT&T and 43 other service providers were granted licenses by the UK authorities last year to operate as international carriers.

Biocomp's lenses win US clearance

By Daniel Green

Shares in Biocompatibles, the UK biotechnology company, rose to more than eight times their flotation price of two years ago after the US Food and Drug Administration approved the company's high-tech contact lenses for sale in the US.

At last night's share price, up 82½p at 1375p, the loss-making company has a market valuation of £1bn ($1.62bn). This is more than 12 times its the figure at flotation two years ago.

The lenses are to be launched next week into the $200m a year US market for "frequent replacement" lenses. This market is growing at 35 per cent a year, the company said.

The lenses are coated with Biocompatibles' phosphorylcholine (PC) polymer which has been likened to Teflon non-stick coatings used for cooking pans. Each molecule of the PC coating attracts 24 water molecules so that it feels slippery to the touch.

Mr Alistair Taylor, Biocompatibles' chief executive, said that most buyers would be people with dry eyes such as the over-40s. The company is in talks with "a major contact lens distributor" and "hoped to be able to make an announcement soon".

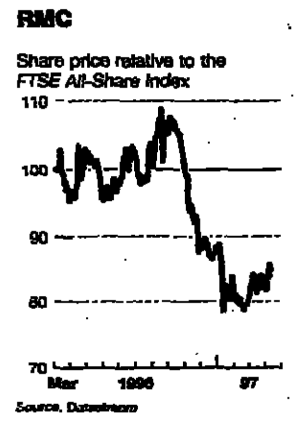
Separately, Mr Taylor said that the company's PC-coated stents (mesh tubes implanted by a surgeon to keep open constricted blood vessels) were selling well only months after their launch in Europe. "We have sold more than 1,000 stents at between $1,300 and $1,500 each," said Mr Taylor.

The new contact lenses, called Proclear Compatibles, have been on sale since February in the UK, Belgium and Denmark. The company said that early sales were strong but distorted by stocking-up. Users have to replace the lens each month. This "frequent replacement" lens market is worth $500m market worldwide.

LEX COMMENT

RMC

RMC shareholders are discovering that even a quality business can struggle to rise above difficult markets. Having profited handsomely from Germany's post-unification construction boom, the company is now having to live with Germany's delayed recession, aggravated by the deflationary rigours of trying to qualify for European economic and monetary union. Given the difficult backdrop – volumes for its products fell last year by 4-8 per cent in Germany and the UK, its two biggest markets – RMC did well to limit the decline in pre-tax profits to only 9 per cent.



While the worst is clearly past, the outlook is hardly rosy. A further 3-5 per cent fall in volumes is forecast for Germany; only a 12 per cent cut in the labour force over the past 18 months permits the group to forecast higher D-Mark profits. Aggravating the outlook is the strength of sterling. While barely affecting sales, it could easily depress profits from Germany, the largest contributor, by 10 per cent this year.

There are some bright spots – the UK, US and smaller European markets all promise reasonable growth. Capital expenditure of £370m ($599m) also shows that the group is continuing to invest in its future. Short term, however, it is difficult to be sanguine so long as Emu continues to serve as a by-word for hair-shirt fiscal policies.

A forward price/earnings ratio of about 14.3 – in line with the sector average – is hardly extravagant. But companies with greater UK exposure look a better bet for now.

Shell to face protest at AGM

By Robert Corzine

Royal Dutch/Shell has asked shareholders to reject a resolution at next month's annual meeting, demanding that the Anglo-Dutch oil group adopt tougher environmental and human rights policies and reporting practices.

The resolution – thought to be the first of its kind in the UK – threatens to be an embarrassment to the group, following as it does a lengthy period of negative publicity about Shell's human rights and environmental policies.

Mr John Jennings, chairman of Shell Transport and Trading, the London arm of the company, yesterday said the resolution was "unnecessary" and "not an appropriate way" to challenge the company on such issues, which are the responsibility of the board.

The resolution is supported by 18 pension funds, five religious institutions, an academic fund and individuals from a pressure group called the Ecumenical Committee on Corporate Responsibility. It is also backed by Pirc, the corporate governance pressure group, whose members hold 12 per cent of the company's shares.

Mr Jennings said Shell's opposition to the resolution did not imply it was pulling back from commitments to improve its environmental and human rights record, which has been battered by the Brent Spar fiasco, in which the company tried to dump an obsolete oil platform in the Atlantic, and concerns over the company's operations in Nigeria.

Mr Jennings said Shell had had no warning that the resolution was being prepared. But Pirc last night said it had been "totally frank" with the company over the course of seven meetings that a resolution would be lodged if it remained unconvinced of Shell's sincerity to adopt more detailed and public reports on sensitive issues.

Shell said its "directors share the objectives set out in the resolution". But Mr Jennings claimed the main demands of the dissident group had already been met.

RMC hit by German downturn

By Andrew Taylor, Construction Correspondent

German construction output in 1997 is forecast to fall for the second successive year according to RMC, Europe's biggest concrete producer.

RMC has axed 1,400 German jobs, 12 per cent of its labour force in that country, during the past 18 months. Mr Peter Young, chief executive, predicted that German construction output would fall by 1½-2 per cent this year following last year's 2.7 per cent decline.

However, UK construction markets are beginning to revive, led by an improving housing market. RMC forecast that domestic aggregate sales would rise by 3-5 per cent this year.

The company yesterday reported a 9.1 per cent fall in pre-tax profits, before exceptionals, to £295.3m in 1996. Pre-tax profits, after a reduction in exceptional disposal profits from £12.2m to £900,000, fell by 12 per cent to £296.2m ($479.8m). Turnover was static at £4.55bn.

Germany was Europe's fastest growing construction market for much of the 1990s but has gone into retreat as the country has strived to meet the bill for reunification and satisfy the Maastricht criteria for European monetary union. German operating profits fell last year from £187.5m to £139.6m after £17m of redundancy and restructuring costs.

Mr Young said German profits, in the absence of further restructuring costs, would rise in D-Marks this year. UK operating profits would also be better after slipping last year from £76.8m to £72.8m.

Profits from countries outside of Europe, mainly the US, increased from £45m to £56.6m.

The shares fell 4½p to 996½p.


Colin Beere

Peter Young: predicted a further fall in German output

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
CIA	Yr to Dec 31	773.8	(606.4)	4.92♠	(6.68)	3.23	(7.65)	1.77	May 29	1.62	2.35	2.16
French Connection	Yr to Jan 31	83	(70.7)	6.23♠	(3.43)	17.6	(10)	2.25	July 2	2	2.75	2
Friendly Hotels	Yr to Dec 24	45.2	(42)	4.47♥	(6.26L♠)	10.7	(40.7L)	3.5	Aug 15	3.5	5.7	5.7
Rathbone Brothers	Yr to Dec 31	35.8	(28)	9.61	(7.36)	24.87†	(21.31)	7.5	May 16	6.5	11.5	10
RMC	Yr to Dec 31 ★	4,560	(4,549)	296.2	(337.1♥)	68.9†	(80.3)	18.7	June 2	17.6	26.5	25.3
Swallowfield	Yr to Dec 31	43.4	(37)	3.52	(2.69)	18.1	(13.8)	4.3	May 30	3.8	7.3	6.5
Tracker Network Φ	Yr to Dec 31	10.4	(8.52)	0.210	(1.61L)	4	(30.5L)	-	-	-	-	-
Wyefield	6 mths to Dec 31	8.28	(8.31)	0.337L	(0.491L)	1.3L	(1.9L)	nil	-	nil	-	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Benfield & Rea	Yr to Dec 31	-	(-)	-	(-)	-	(-)	0.7⚹	May 27	-	-	-
TR Technology A	Yr to April 30	-	(-)	-	(-)	-	(-)	0.2	Apr 28	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ΦAim stock. ⚹Second interim; makes 1.3p to date.

Italian purchase for Royal & Sun

By Christopher Adams, Insurance Correspondent

Royal & Sun Alliance is to buy Prudential's life assurance and pensions business in Italy for £46m ($74.5m) cash, the biggest acquisition since last July's merger of the two composite insurers.

The purchase comes just two months after Royal & Sun bought the non-life business portfolio of Bank Argentaria, the Spanish bank, for just under £20m.

Both are evidence of the group's commitment to expand in continental Europe, where it is seen as a lightweight compared with global rivals.

For Prudential, the deal completes the disposal of several small businesses in continental Europe, which did not have "significant" market shares, according to a company official.

The deal will give Royal & Sun access to customers through independent companies selling unit-linked investment products, an area of rapid growth in Italy's insurance market where a few large domestic insurers have traditionally ruled.

The insurer will integrate the Prudential business, which last year earned premium income of £52m, with its own life arm in Italy where turnover was £13m.

BP defends shift to sensitive sites

By Robert Corzine

British Petroleum yesterday put up a spirited defence of its shift towards more politically and environmentally sensitive areas for its future oil and gas production growth.

Mr John Browne, chief executive, told the annual meeting that "mistakes" had been made in the company's controversial development of two giant oil fields in the remote Casanare province of eastern Colombia. But he rejected allegations that BP has been involved in human rights violations by the Colombian Army, which has been called into the area to protect the oil development from guerrillas.

"Because we're human we sometimes make mistakes – not intentionally, or recklessly or carelessly – but nothing we have done is anywhere near the scale that has been alleged or implied." BP managers have become increasingly sensitive about the Colombian issue, although many of the allegations have not been proved.

Shareholders who arrived at London's Barbican yesterday were greeted by a small group of demonstrators with banners claiming that BP co-operated with Colombian death squads.

Inside, Mr Browne went to some lengths to reassure shareholders that BP's activities in Colombia were beneficial to the local population.

INTERNATIONAL CAPITAL MARKETS

Sentiment changes over Emu

GOVERNMENT BONDS

By Michael Lindemann in London and Lisa Bransten in New York

Sentiment was muted on European government bond markets yesterday, compounded by a European Commission report, quoted in a Portuguese newspaper, that several candidates for European Monetary Union will miss the 3 per cent budget deficit target this year.

The report forecasts that Germany's 1997 budget deficit will be 3.2 per cent, above the 3 per cent ceiling set down in the Maastricht treaty, according to a report in the O Publico newspaper.

The Commission report, which is scheduled for release on April 23, says Italy's deficit will be 3.8 per cent while France and Spain will both come in on 3 per cent. The Commission said it had "nothing to do with the table" and "work on the forecast was still continuing".

The report did not elicit a sharp reaction, but analysts said the market's mood was in contrast to the positive sentiment towards prospects for the European single currency earlier this week. "The tone of the market was fairly bearish, and that just added to it," said Ms Sharda Persaud, senior economist at Sao Paolo Bank.

The change in mood was underlined by comments from Mr Reimut Jochimsen, a Bundesbank council member, who told the magazine Die Neue Gesellschaft that "it is becoming increasingly evident that Germany will find it extraordinarily difficult to meet the budget and debt criteria."

A report expected next week from the European Monetary Institute, the precursor to the European central bank, is also expected to be pessimistic about the proposed single currency.

German bunds slipped, with the June bund future closing in London at 100.11, down 0.16 on the day. Analysts said the market remained "vulnerable" ahead of today's US March producer prices data.

Italian BTPs also headed downwards. Mr Lamberto Dini, foreign minister, said more welfare cuts were needed, which is likely to mean more wrangling with the left-wing Communist Refoundation, spelling trouble for bond markets.

In London, the June BTP future closed at 127.13, down 0.62 on the day. In the cash market the 10-year yield spread of BTPs over bunds slipped 7 basis points to 182 points.

Spanish bonos followed Italy's lead. The uncertainty overhanging international markets failed to make up for the good news expected from today's lower March consumer price inflation figures. The June bono future closed at 113.00, down 0.50.

Bearish sentiment spilled over into French OATs, compounded by worse than expected March household sentiment data. The index fell to −32, down from a revised −30 in February. The June notional future lost 0.26 to close at 128.34.

A lack of market data left UK gilts drifting aimlessly. The June long gilt future closed at 108 29/32, down 7/32.

US Treasury prices were modestly lower in quiet early trading as investors awaited more data on the strength of the economy.

By early afternoon the 30-year Treasury was off ⅛ at 93 19/32 to yield 7.111 per cent, while at the short end of the maturity spectrum the two-year note was 1/32 weaker at 99 25/32 to yield 6.420 per cent. The June 30-year bond future fell 1/32 at 107 4/32.

There was little reaction early in the session to figures showing a modest increase in the number of people filing initial claims for unemployment benefits last week.

Although the number of new claimants was 6,000, stronger than expectations of 1,000, economists still consider the labour markets very tight.

More attention was focused on today's release of figures on producer prices and retail sales. Analysts believe the producer price index for March will be unchanged and that retail sales will have risen by 0.5 per cent.

Short maturity issues in favour

INTERNATIONAL BONDS

By Samer Iskandar

The uncertain interest rate environment continued to favour issuance of defensive bonds with relatively short maturities of five years or less.

"There is no incentive for investors to go further out in terms of maturity," said one banker. "It will take a steepening of the yield curve before people start buying longer-dated paper."

Baden-Württemberg L-Finance and the Federal National Mortgage Association launched the largest deals yesterday. Although of the same size and similar maturities, they were aimed at different investors.

L-Bank's deal was priced to yield 10 basis points over US Treasuries, a level which "guaranteed the success of the issue", according to Morgan Stanley, one of the lead managers. "The issuer is well known by institutional investors, but also has retail acceptance."

FNMA's five-year bonds, which are callable by the issuer at the end of the second year, were mainly aimed at institutions.

Morgan Stanley, joint lead manager with Merrill Lynch, said it saw good demand from institutions in Asia and Europe.

Both deals, Morgan Stanley said, were helped by the fact that they offered coupons of more than 7 per cent.

"Investors are still picky about the bonds they buy," said one syndicate manager. "But with an attractive issuer at the right price deals can be done easily."

The D-Mark sector saw its first issue of high-yield bonds, DM157.5m of 10-year paper by Geberit International, the Swiss sanitary technology firm recently acquired by Doughty Hanson, the UK venture capital company. The issue, led by Merrill Lynch, was several times oversubscribed by a combination of European and US investors, with roughly 10 per cent of the amount going to retail investors in Germany and Switzerland.

Analysts believe there is ample demand for sub-investment grade bonds in Europe, and some expressed hope that yesterday's landmark deal would inspire other borrowers.

"European investors are big players in the US high-yield market," said one analyst. "There is definitely strong appetite for this kind of issue on this side of the Atlantic."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Baden-Wurttemberg L-Fin	500	7.00	100.117R	Apr 2002	0.25R	+10(6⅝%Mar02)	Goldman/Morgan Stanley
Fed National Mtg Assoc(a,l)	500	7.12#	100.00R	Apr 2002	0.25R	+34(6⅝%Mar02)	Merrill/Morgan Stanley
SüdwestLB Capital Mkts(b)	150	7.25	100.10R	May 2002	0.25R	+33(6⅝%Mar02)	Morgan Stanley & Co Intl
Hamburgishe LB(c)§	100	3.25	100.00	May 2002	2.50	-	Salomon Brothers Intl
Banco Itau	*100*	*8.25#*	*99.98R*	*Apr 2000*	*0.45R*	*+169(5⅞%-00)*	*UBS*
D-MARKS							
LB Rheinland-Pfalz Fin(s)	300	5.125	99.931R	Dec 2002	0.25R	+2(7¼%Dec02)	ABN Amro Hoare Govett
DePfa Bank	300	4.875	99.472R	May 2002	0.25R	+32(4¾%Nov01)	WestLB
Geberit International(d,s)	157.5	10¼#	100.00	Apr 2007	3.00	-	Merrill Lynch Capl Mkts
YEN							
New Frontier(e)	20bn	5.32#	100.00	Jun 2000	1.70	-	Kokusai Europe
LUXEMBOURG FRANCS							
Bacob Overseas	2bn	(f)	101.90	May 2003	1.875	-	Bacob Bank Luxembourg

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. §Convertible. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Callable on 19/4/99 at par. b) Callable on 21/5/99 at par. c) Exchangeable into Veba shares at DM111.6. FX: DM1.7163/$. Callable from 8/5/00 at par. d) Callable from 15/4/02 at 105.062% falling to par. e) Redeemed in US$. f) 4% to 30/5/00, then 7%. l) Long 1st coupon. s) Short 1st coupon.

Tunisia assigned rating by S&P

By Samer Iskandar

Standard & Poor's, the US credit rating agency, yesterday assigned a BBB− rating to Tunisia's long-term debt denominated in foreign currencies.

The agency also awarded the country's short-term debt a rating of A3, and said the outlook for all these ratings was "stable".

The BBB− rating is the lowest "investment grade", or non-speculative, rating on *S&P's scale*. It places Tunisia's credit standing on a par with the Sultanate of Oman and Egypt, and one notch higher than Jordan.

It also matches the country's ratings by Moody's, the other large US rating agency, and IBCA, the European agency – respectively Baa3 and BBB−.

S&P highlighted Tunisia's solid public finances, with the general government deficit expected to reach about 3 per cent of gross domestic product this year, compared with 2 per cent in 1996.

Inflation, which "has remained in single digits throughout the past four decades, is projected at 3.9 per cent in 1997", S&P added.

However, the ratings are constrained by the country's high public debt burden, amounting to roughly 74 per cent of GDP, and the inefficiency of "hundreds of public enterprises".

The agency also said the privatisation process was proceeding slowly.

Furthermore, S&P pointed out that Tunisian banks' weak asset quality and poor transparency were potentially "a significant contingent liability for the sovereign".

Australia set for corporate bonds revival

Is a domestic Australian corporate bond market about to re-emerge? The question has occupied bankers for the best part of six months, and the answer seems to be "yes".

Since November, domestic corporate bond programmes – either announced or implemented – have surged to about A$3bn, having been non-existent for about eight years. Borrowers have ranged from large manufacturing groups, such as Southcorp and BTR Nylex, to much smaller companies, such as the Perth-based Futuris.

The last surge in the local *corporate bond was in the* late 1980s. Then as now, there was a widespread view that institutional investor demand for fixed-income paper could not be met by government issues.

Corporates, encouraged by this unsatisfied appetite and by relatively low interest rates, began to fill the gap. In 1988, about A$1.3bn of corporate paper was sold.

But the situation changed when recession hit at the end of the 1980s. Defaults occured and there was a "flight to quality" by investors. By the mid-1990s, when corporate borrowing revived, most companies prefered to tap overseas markets, notably the US.

This time local bankers and analysts are hopeful the revival will be more sustained. The first issue was late last year, by Futuris, a medium-sized industrial group. It has since been followed by a A$250m medium-term note programme, handled by National Australia Bank, for Southcorp, the packaging, wine and appliance manufacturer. Brierley Investments has launched a A$500m MTN programme, underwritten by ANZ.

A number of programmes have been signed with issuance yet to take place. Borrowers range from United Energy, one of the distribution companies which emerged from Victoria's electricity privatisation, to *Burns Philp*, the listed food ingredients group, and Peabody, the mining company.

Most bankers say the trend is a direct result of heavy *institutional demand*, caused by a shortage of government bonds.

"Our sense is that it's the weight of money argument," says Mr Ian Mattiske, general manager for global project and structured finance at National Australia Bank. He says forecasts that outstanding corporate bonds could reach A$4bn by end-1997 are feasible.

The extent to which institutional funds are growing, as Australia's pensions industry undergoes structural change, is impressive. Managed funds at end-1996 topped A$340bn, compared with less than A$240bn four years earlier. Meanwhile, superannuation funds alone are forecast to grow at about 10 per cent a year until early next century.

At the same time, fiscal restraint and privatisations by state and federal governments will limit the amount of new government paper.

"The excess demand for Australian government bonds by domestic investors will be more than A$100bn in the year 2002," said SBC Warburg in a recent report.

Nikki Tait

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.9610	+0.130	7.96	8.10	7.67
Austria		5.625	01/07	98.5300	−0.120	5.82	5.96	5.55
Belgium		6.250	03/07	101.5700	−0.230	6.03	6.18	5.64
Canada *		7.000	12/06	100.9700	−0.330	6.86	6.81	6.39
Denmark		8.000	03/06	108.9600	−0.240	6.63	6.81	6.22
France	*BTAN*	*4.750*	*03/02*	*102.7606*	*−0.080*	*4.81*	*4.93*	*4.37*
	OAT	5.500	04/07	97.8200	−0.110	5.79	5.95	5.33
Germany Bund		6.000	01/07	100.5500	−0.180	5.92	6.03	5.54
Ireland		8.000	08/06	107.8400	−0.170	6.83	6.96	6.41
Italy		6.750	02/07	94.5200	−0.280	7.55†	7.85	7.20
Japan	No 143	6.300	09/01	120.2997	−0.190	1.44	1.48	1.35
	No 182	3.000	09/05	106.1090	−0.230	2.15	2.18	2.39
Netherlands		5.750	02/07	99.4600	−0.160	5.82	5.92	5.32
Portugal		9.500	02/06	117.3400	−0.410	6.82	7.08	6.70
Spain		7.350	03/07	102.9600	−0.490	6.91	7.22	6.74
Sweden		8.000	08/07	105.4850	−0.670	7.22	7.47	6.76
UK Gilts		7.000	06/02	98-25	−2/32	7.29	7.40	6.76
		7.250	12/07	97-07	−7/32	7.64	7.70	7.16
		9.000	10/08	109-20	−8/32	7.73	7.78	7.26
US Treasury *		6.250	02/07	95-10	−6/32	6.91	6.87	6.54
		6.625	02/27	93-29	−9/32	7.12	7.06	6.79
ECU (French Govt)		7.000	04/06	105.5500	−0.270	6.18	6.38	5.80

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	6.44
Broker loan rate	7⅞	Two month	-	Three year	6.59
Fed.funds	5⅞	Three month	5.24	Five year	6.78
Fed.funds at intervention	-	Six month	5.58	10-year	6.92
		One year	5.97	30-year	7.12

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.56	128.34	−0.26	128.58	128.24	106,596	159,078
Sep	126.90	126.68	−0.26	126.90	126.90	2	5,162
Dec	96.56	96.34	−0.26	96.56	96.56	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
127	1.42	1.74	1.38	0.08	0.41	1.70
128	0.65	1.08	0.93	0.31	0.75	2.23
129	0.19	0.58	0.60	0.85	1.23	2.90
130	0.03	0.26	0.37	1.69	1.91	-
131	0.01	0.09	0.22	2.67	2.74	-

Est. vol. total, Calls 6,601 Puts 7,980. Previous day's open int., Calls 125,421 Puts 144,554.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.36	100.11	-0.16	100.38	100.02	144043	257126
Sep	99.21	99.11	-0.16	99.22	99.11	1240	6274

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
10000	0.49	0.83	0.59	0.92	0.38	0.72	1.48	1.81
10050	0.25	0.57	0.42	0.73	0.64	0.96	1.81	2.12
10100	0.11	0.37	0.29	0.56	1.00	1.26	2.18	2.45

Est. vol. total, Calls 13119 Puts 21379. Previous day's open int., Calls 223691 Puts 254347

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.60	127.13	-0.62	127.69	127.02	64054	111199
Sep	*127.53*	*127.10*	*-0.64*	*127.53*	*127.10*	*1295*	*3194*

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12700	1.45	2.47	1.32	2.37
12750	1.17	2.20	1.54	2.60
12800	0.92	1.94	1.79	2.84

Est. vol. total, Calls 3943 Puts 3042. Previous day's open int., Calls 105962 Puts 110694

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.36	113.00	−0.50	113.36	112.62	90,404	74,076
Sep	-	112.16	−0.50	-	-	-	3

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-03	108-29	-0-07	109-05	108-26	39061	175689
Sep		108-24	-0-07			0	2722

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
108	1-09	1-41	1-57	2-27	0-15	0-47	1-09	1-43
109	0-33	1-04	1-24	1-58	0-39	1-10	1-40	2-10
110	0-11	0-41	0-59	1-29	1-17	1-47	2-11	2-45

Est. vol. total, Calls 2822 Puts 807. Previous day's open int., Calls 69096 Puts 33396

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.38	94.12	−0.26	94.38	93.98	1,344	6,435

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-09	107-08	−0-03	107-17	107-04	313,385	430,989
Sep	106-24	106-25	−0-03	106-28	106-23	1,286	34,886
Dec	-	106-16	-	-	-	281	5,809

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	127.09			127.10	126.91	2141	na
Sep	125.81			125.81	125.81	46	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Apr 10	Day's change %	Wed Apr 9	Accrued interest	xd adj. ytd		Low coupon yield Apr 10	Apr 9	Yr. ago	Medium coupon yield Apr 10	Apr 9	Yr. ago	High coupon yield Apr 10	Apr 9	Yr. ago
1 Up to 5 years (19)	119.96	0.00	119.96	2.31	3.40	5 yrs	7.32	7.31	7.66	7.38	7.37	7.66	7.42	7.40	7.78
2 5-15 years (20)	148.75	−0.04	148.82	2.83	2.89	15 yrs	7.75	7.75	8.31	7.76	7.75	8.33	7.68	7.63	8.42
3 Over 15 years (7)	168.60	−0.07	168.72	4.65	3.16	20 yrs	7.81	7.82	8.37	7.79	7.78	8.38	7.68	7.64	8.45
4 Irredeemables (5)	193.91	0.13	193.65	3.88	2.37	Irred.†	7.86	7.87	8.40						
5 All stocks (51)	143.29	−0.03	143.33	2.99	3.21										

Index-linked							Inflation 5% Apr 10	Apr 9	Yr. ago	Inflation 10% Apr 10	Apr 9	Yr. ago
6 Up to 5 years (2)	203.65	−0.03	203.71	1.00	2.16	Up to 5 yrs	3.37	3.35	3.02	2.67	2.65	1.73
7 Over 5 years (10)	194.24	−0.13	194.62	1.09	2.32	Over 5 yrs	3.66	3.65	3.77	3.46	3.45	3.57
8 All stocks (12)	194.17	−0.12	194.52	1.08	2.28							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 10	Apr 9	Apr 8	Apr 7	Apr 4	Yr ago	High*	Low*
Govt. Secs. (UK)	93.60	93.83	93.60	93.65	93.41	92.48	96.62	93.31
Fixed Interest	116.63	116.61	116.62	116.30	116.34	111.87	120.16	115.32

Gilt Edged Activity Indices

	Apr 9	Apr 8	Apr 7	Apr 4	Apr 3
Gilt Edged bargains	NA	14.2	20.5	27.4	47.9
5-day average	NA	28.7	37.4	48.8	66.8

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 10

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98⅝	98⅞	−⅛	7.20
ABN Amro Bank 7¼ 05	1000	98⅝	98¾	−⅛	7.62
African Dev Bk 7¾ 23	600	98	98⅜	−⅛	7.74
Alberta Province 7⅝ 98	1000	101⅜	101⅝		6.63
Argentina 11⅜ 17	2000				
Spain 7¼ 03	4000	103½	103⅝	−⅛	5.33
Volkswagen Intl Fin 7 03	1000	107⅛	107⅜	−⅛	5.59
World Bank 5⅞ 03	3000	103¼	103¼	−⅛	5.28
World Bank 6⅛ 02	3000	104⅞	104⅞		5.07
World Bank 7⅛ 05	3000	108⅝	108¾	−⅛	5.75
Abbey Natl Treasury 8 03 £	1000	100½	100⅝	-	7.89
British Land 8⅞ 23 £	150	99⅛	99⅜	−⅛	9.16
Denmark 6¾ 98 £	800	99⅝	99¾		7.00
Depfa Finance 7⅛ 03 £	500	95¾	96	−⅛	7.97
EIB 8 03 £	1000	101½	101¾	−⅛	7.68
Finland 7 00 £	500	99	99⅛	−⅛	7.31
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: ... C.cpn=The current coupon. CONVERTIBLE BONDS: ... premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	6.98	6.22	100 9/32	—	101 3/32	100 3/32
Treas 8¾pc 1997‡‡	8.67	6.23	100 29/32	—	107 3/32	100 25/32
Exch 15pc 1997	14.34	6.39	104 19/32	—	114⅞	102 15/32
Exch 9¾pc 1998	9.52	6.49	102 13/32	—	106 15/32	100 1/32
Treas 7¼pc 1998‡‡	7.21	6.57	100 19/32	—	109 15/32	100 7/32
Treas 15½pc '98‡‡	13.84	6.81	112	+1/32	122 15/32	111 15/32
Exch 12pc 1998	11.13	6.85	107 27/32	—	114 7/32	107 15/32
Treas 9½pc 1999‡‡	9.11	6.89	104 9/32	−1/32	108⅛	97 15/32
Treas Flg Rate 1999‡‡	-	-	*100 7/32*	—	*100 9/32*	*99⅞*
Exch 12¼pc 1999	11.18	6.98	109 9/32	−1/32	116⅝	109 3/32
Treas 10½pc 1999	9.83	6.89	106 13/32	−1/32	111 13/32	106 13/32
Treas 6pc 1999 ‡‡	6.11	6.95	98⅛	—	96¼	96⅛
Conversion 10¼pc 1999	9.53	7.05	107½	−1/32	118 15/32	106 7/32
Conv 9pc 2000‡‡	8.59	7.12	104 25/32	−1/32	108 3/32	103 13/32
Treas 13pc 2000	11.14	7.20	116 23/32	—	123 17/32	116 5/32
Treas 14pc 1998-1	*12.98*	*6.69*	*107 27/32*	—	*116 15/32*	*107 15/32*
Treas 8pc 2000‡‡	7.80	7.19	102 17/32	−1/32	104 15/32	101⅝
Treas Flg Rate 2001	5.67	-	100 11/32	—	100 7/32	99¾
Treas 10pc 2001	9.17	7.30	109	−1/32	113⅛	100 29/32
Treas 7pc 2001 ‡‡	7.08	7.30	98⅞	−1/32	101⅛	96 15/32
Five to Fifteen Years						
Treas 7pc 2002‡‡	7.08	7.26	98 27/32	−1/32	101 3/32	97 13/32
Treas 9¾pc 2002	8.85	7.43	110 3/32	−1/16	122¼	108⅞
Treas 8pc 2003‡‡	7.78	7.44	102 27/32	−1/32	105 13/32	100 1/32
Treas 10pc 2003	8.89	7.51	112½	−1/32	116 1/32	110⅝
Treas 11½pc 2001-4	10.08	7.32	114 1/32	—	121⅝	113 13/32
Funding 3½pc 1999-4	4.21	6.29	83 7/32	+1/32	86 23/32	79⅛
Conversion 9½pc 2004	8.55	7.65	111 1/32	−1/32	114 17/32	107 13/32
Treas 6¾pc 2004‡‡	7.05	7.51	95 23/32	—	98 15/32	91 13/32
Conv 9½pc 2005	8.54	7.61	111 7/32xd	—	122 13/32	108 5/32
Treas 12½pc 2003-5	9.95	7.52	125⅝	−⅛	130 13/32	123 13/32
Treas 8½pc 2005‡‡	8.04	7.61	105 11/32	−1/32	109⅝	101⅞
Treas 7½pc 2006‡‡	7.56	7.64	99 3/32	−1/32	103 7/32	94 13/32

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Treas 7¾pc 2006‡‡	7.70	7.67	100⅝	−1/32	107¼	96 3/32
Treas 8pc 2002-6‡‡	7.88	7.58	101 15/32	+1/32	104 7/32	99⅛
Treas 11¾pc 2003-7	9.82	7.51	119 5/32xd	−1/32	134 7/32	115⅝
Treas 8½pc 2007 ‡‡	8.03	7.68	105⅞	−1/32	110 13/32	101 1/32
Treas 7 1/4pc 2007‡‡	7.45	7.63	97 11/32	−1/32	102 15/32	96⅞
Treas 9pc 2008 ‡‡	8.20	7.72	109⅞xd	−1/32	114 13/32	103 13/32
Treas 8pc 2009	7.85	7.76	101⅞	−1/32	108 15/32	97
Treas 6 1/4pc 2010‡‡	*7.17*	*7.80*	*87 7/32*	−1/16	*91½*	*81 13/32*
Conv 9pc Ln 2011 ‡‡	8.15	7.78	110 7/32	−1/32	115 23/32	104 13/32
Over Fifteen Years						
Treas 9pc 2012‡‡	8.12	7.79	110 27/32	−1/32	116 3/32	104⅞
Treas 5½pc 2008-12‡‡	8.71	7.59	81 13/32	+1/32	85 21/32	75⅞
Treas 8pc 2013‡‡	7.88	7.80	101 13/32xd	−1/32	107 7/32	95 23/32
Treas 7¾pc 2012-15‡‡	7.76	7.81	99 13/32	−1/32	104 23/32	93 13/32
Treas 8pc 2015‡‡	7.83	7.77	102 7/32	−1/32	107 13/32	95 15/32
Treas 8¾pc 2017‡‡	8.00	7.82	109 7/32	−⅛	115 13/32	102½
Treas 8pc 2021‡‡	7.80	7.77	102 23/32	−⅛	108 3/32	95 23/32
Undated						
Consols 4pc	7.97	-	50 7/32	+¼	54 3/32	46⅜
War Loan 3½pc‡‡	7.85	-	44 19/32	−1/32	47 13/32	41 1/32
Conv 3½pc '61 Aft	5.64	-	62 3/32	+⅛	64 13/32	58 1/32
Treas 3pc '66 Aft	8.07	-	37 3/32	—	39 7/32	34 7/32
Consols 2½pc	7.70	-	32 15/32	+1/32	34 3/32	29⅝
Treas. 2½pc	7.88	-	31 23/32	+⅛	33 3/32	29⅛

Notes		Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	-	2.30	114	—	114⅝	111 13/32
2½pc '01	(78.3)	2.83	3.43	185 13/32	−1/32	187 13/32	177 13/32
2½pc '03	(78.8)	3.09	3.52	181 7/32	−⅛	184 3/32	173⅞
4⅜pc '04‡‡	(135.6)	3.14	3.52	117⅝xd	−1/32	120 3/32	113 13/32
2pc '06	(69.5)	3.26	3.57	190 13/32	−1/32	195 13/32	181¼
2½pc '09	(78.8)	3.38	3.62	171	−¼	176 3/32	162 13/32
2½pc '11	(74.8)	3.42	3.63	177 1/32	−1/32	183 3/32	167 13/32
2½pc '13	(89.2)	3.46	3.65	145⅝	−1/32	150 13/32	137⅝
2½pc '16	(81.6)	3.50	3.67	155 3/32	−1/32	161 1/32	148½
2½pc '20	(83.0)	3.57	3.71	148 3/32xd	−1/32	154 3/32	139¾
2½pc '24‡‡	(97.7)	3.58	3.71	122⅝	−1/32	128 13/32	115⅞
4⅛pc '30‡‡	(135.1)	3.58	3.71	120 7/32xd	−1/32	125⅝	114 3/32

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for July 1996: 152.4 and for February 1997: 155.0.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.79	8.06	116⅝	—	122⅛	111 13/32
B'ham 11½pc 2012	9.02	8.35	127½	—	132½	119½
Leeds 13½pc 2006	10.11	-	133½	—	137½	129
Liverpool 3½pc Irred	8.75	-	40	—	43	37½
LCC 3pc '20 Aft	8.57	-	35	—	38	32½
Manchester 11½pc 2007	9.39	8.25	122½xd	—	127½	117
Met. Wtr. 3pc 'B'	3.75	7.00	80	—	82	74
N'wide Anglia 3⅞pc 2021	-	4.22	144 3/32	—	147¼	133
4⅛pc IL 2024	-	*4.34*	*139⅝*	—	*142 7/32*	*132*
Utd Mex States 16½pc 2008	12.50	-	132	—	135½	122

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Tokyo threatens to boost the yen

MARKETS REPORT

By Simon Kuper

The dollar slipped back yesterday after Tokyo officials hinted that they would soon intervene in the market to support the yen.

Later in the day Mr Robert Rubin, US treasury secretary, suggested for the first time that the weak yen had worsened the US trade deficit with Japan. However, he also said that economic fundamentals supported a strong dollar – a sign that Japan and the US no longer saw eye-to-eye on currencies.

The dollar, which had risen 4 per cent in the past week, had been sold off in anticipation of Mr Rubin's statement. But after he spoke, the US currency rallied somewhat, on market relief that he had failed to endorse intervention plans. The dollar closed Y0.5 down in London at Y126.1.

Mr Hiroshi Mitsuzuka, Japan's finance minister, yesterday gave the clearest sign yet that Japan not merely opposed the yen's long slide but was prepared to intervene in the market to reverse it. He said that the yen's fall had been excessive and that Japan would deal "decisively" with any such excessive moves.

Mr Eisuke Sakakibara, the senior finance ministry official, said intervention was possible as exchange rates were deviating from economic fundamentals.

Forex strategists now believe that the Bank of Japan will sell some of its $219.4bn worth of dollars in the market if the US currency rises to Y127 or Y128 against the yen. When it last hit this level, in August 1992, the bank also intervened to support the yen. Mr Robert Rubin, US treasury secretary, for the first time explicitly linked the weak yen with Japan's rising trade surplus with the US. Washington shared Japan's concern over the yen's fall "because of the impact on the surplus," he said.

But he then added: "I would note that the prime minister of Japan stated last week that Japan needs to accomplish strong domestic demand-led growth and avoid a significant increase in its external surplus." This suggested that Washington still believed that to reduce the surplus, Japan should boost its economy rather than weaken the dollar.

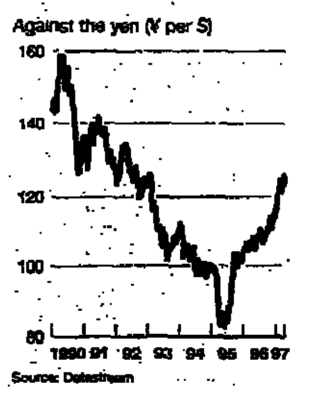
"Our policy on the dollar is unchanged," Mr Rubin said. "Over time, exchange rates generally reflect fundamentals and the fundamentals of the US economy have been relatively strong for the past four years."

■ Pound in New York

Apr 10	— Latest —	— Prev. close —
£ spot	1.6230	1.6190
1 mth	1.6223	1.6183
3 mth	1.6207	1.6167
1 yr	1.6145	1.6202

Dollar

Against the yen (Y per $)



Source: Datastream

■ German officials indicated they were happy with last week's dollar gains against the D-Mark. Mr Klaus-Dieter Kuehbacher, Bundesbank council member, said: "We do not need to strengthen the D-Mark."

Mr Juergen Stark, state secretary at the German finance ministry, said the dollar's rise above DM1.72 on Wednesday was part of a normal market correction.

Currency strategists said Germany believes a weak D-Mark could help lead the country into an export-led recovery. Driven downwards by the rising yen, the dollar lost 0.3 pfennigs against the D-Mark to close at DM1.717.

■ Yesterday's talk from Tokyo and Washington spawned various interpretations in the currency markets. But a consensus of sorts did emerge. Mr Peter von Maydell, senior currency economist at UBS in London, said: "It seems that the Japanese are aggressive on weakening the dollar and the US is equivocal. Of the G7 countries, only Japan wants the dollar to come down."

Mr Von Maydell said Mr Rubin had never favoured market intervention to change exchange rates. Mr Jeremy Hawkins, chief economist at the Bank of America in London, said that one message of the day was that if the Bank of Japan wanted to sell dollars, it might have to do so alone.

Mr Hawkins said that Mr Rubin's aim in linking the weak yen to Japan's trade surplus yesterday was to slow the pace of the dollar's rise. "He wants to jawbone a kind of uncertainty into the market, to prevent the dollar becoming a one-way bet," Mr Hawkins said.

Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said: "The dollar has come off its highs today, but it's still looking firm. That suits both the US and Japan." Mr Rubin was "in no sense embracing the devaluationist argument."

■ OTHER CURRENCIES

Apr 10	£	$
Czech Rp	48.0943 - 48.1694	29.6220 - 29.6500
Hungary	292.134 - 292.379	179.930 - 179.970
Iran	4873.80 - 4870.80	3000.00 - 3000.00
Kuwait	0.4939 - 0.4944	0.3042 - 0.3043
Poland	5.0510 - 5.0590	3.1110 - 3.1140
Russia	9317.84 - 9325.20	5738.00 - 5740.00
U.A.E.	5.9630 - 5.9672	3.6727 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Apr 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6244	-0.0225	141 - 346	19.7142	19.5535	19.5809	2.7	19.5244	2.0	-	-	103.5
Belgium	(BFr)	57.5500	-0.0366	241 - 758	57.7950	57.3470	57.425	2.6	57.165	2.7	55.84	3.0	103.2
Denmark	(DKr)	10.6261	-0.0053	232 - 330	10.6653	10.5873	10.6061	2.5	10.5626	2.5	10.3526	2.6	105.7
Finland	(FM)	8.3359	+0.0034	292 - 425	8.3480	8.2900	-	-	-	-	-	-	83.1
France	(FFr)	9.3853	-0.0079	803 - 902	9.4195	9.3562	9.3632	2.8	9.3195	2.8	9.1024	3.0	106.3
Germany	(DM)	2.7864	-0.0031	871 - 896	2.8013	2.7788	2.7818	2.9	2.7683	2.9	2.7015	3.1	104.9
Greece	(Dr)	438.369	-0.718	112 - 626	440.098	436.855	-	-	-	-	-	-	66.2
Ireland	(I£)	1.0487	+0.0002	478 - 496	1.0506	1.0455	1.0484	0.3	1.0475	0.5	1.0409	0.7	102.0
Italy	(L)	2759.67	+4.12	785 - 150	2764.82	2742.38	2763.07	-1.5	2767.82	-1.2	2770.72	-0.4	76.2
Luxembourg	(LFr)	57.5500	-0.0366	241 - 758	57.7950	57.3470	57.425	2.6	57.165	2.7	55.84	3.0	103.2
Netherlands	(Fl)	3.1361	-0.0034	345 - 376	3.1493	3.1253	3.128	3.1	3.1122	3.0	3.0367	3.2	102.9
Norway	(NKr)	11.3002	-0.0261	926 - 077	11.3411	11.2503	11.2757	2.6	11.2272	2.6	11.0017	2.6	100.9
Portugal	(Es)	279.118	-0.755	951 - 285	280.541	278.223	279.258	-0.6	279.543	-0.6	-	-	94.6
Spain	(Pta)	235.495	-0.135	341 - 648	236.500	234.600	235.629	-0.7	235.495	0.0	234.02	0.6	77.9
Sweden	(SKr)	12.4961	+0.0046	861 - 060	12.5170	12.4491	12.4771	1.8	12.4376	1.9	12.2416	2.0	84.4
Switzerland	(SFr)	2.3855	-0.0069	839 - 870	2.3994	2.3780	2.3767	4.5	2.3588	4.5	2.2746	4.6	103.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.3
Ecu	-	1.4276	-0.0012	267 - 286	1.4317	1.4222	1.4256	1.8	1.4209	1.9	1.3958	2.2	-
SDR†	-	1.186309	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6238	+0.0007	233 - 243	1.6254	1.6185	-	-	-	-	-	-	-
Brazil	(R$)	1.7191	+0.001	184 - 198	1.7203	1.7137	-	-	-	-	-	-	-
Canada	(C$)	2.2595	+0.0068	584 - 606	2.2633	2.2513	2.2536	3.1	2.2429	2.9	2.1983	2.7	84.4
Mexico	(New Peso)	12.8523	+0.0534	459 - 587	12.8587	12.7738	-	-	-	-	-	-	-
USA	($)	1.6241	+0.0008	236 - 246	1.6257	1.6188	1.6235	0.4	1.622	0.5	1.6145	0.6	105.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0789	+0.0032	775 - 802	2.0871	2.0638	2.0786	0.1	2.078	0.2	2.0739	0.2	98.8
Hong Kong	(HK$)	12.5853	+0.0067	806 - 900	12.5977	12.5451	12.5807	0.4	12.5697	0.5	12.5296	0.4	-
India	(Rs)	58.1834	+0.0124	249 - 419	58.2440	58.0340	-	-	-	-	-	-	-
Israel	(Shk)	5.5112	-0.0012	043 - 181	5.5181	5.4997	-	-	-	-	-	-	-
Japan	(Y)	204.823	-0.557	704 - 943	206.220	203.590	203.853	5.7	201.993	5.5	193.383	5.6	120.5
Malaysia	(M$)	4.0690	+0.0042	671 - 708	4.0712	4.0551	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3478	+0.0082	459 - 497	2.3503	2.3383	2.3507	-1.5	2.3558	-1.4	2.376	-1.2	116.0
Philippines	(Peso)	42.8194	+0.0129	656 - 732	42.8732	42.7656	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0916	+0.0033	893 - 939	6.0964	6.0721	-	-	-	-	-	-	-
Singapore	(S$)	2.3358	-0.0037	342 - 373	2.3409	2.3262	-	-	-	-	-	-	-
South Africa	(R)	7.2378	+0.0335	331 - 425	7.2531	7.1891	-	-	-	-	-	-	-
South Korea	(Won)	1450.32	-0.91	663 - 402	1454.02	1445.40	-	-	-	-	-	-	-
Taiwan	(T$)	44.7765	-0.0266	302 - 227	44.8303	44.5627	-	-	-	-	-	-	-
Thailand	(Bt)	42.3549	+0.0111	337 - 761	42.3800	42.1900	-	-	-	-	-	-	-

† Rates for Apr 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0832	-0.0199	806 - 858	12.1510	12.0515	12.0685	1.5	12.0232	2.0	11.8282	2.1	103.2
Belgium	(BFr)	35.4350	-0.04	300 - 400	35.6350	35.3220	35.375	2.0	35.2475	2.1	34.7075	2.1	103.1
Denmark	(DKr)	6.5440	-0.0065	430 - 450	6.5784	6.5221	6.5351	1.6	6.5167	1.7	6.435	1.7	105.0
Finland	(FM)	5.1326	-0.0005	301 - 351	5.1489	5.1097	5.1236	2.1	5.1051	2.1	5.0226	2.1	82.6
France	(FFr)	5.7788	-0.0077	775 - 800	5.8100	5.7625	5.7681	2.2	5.7471	2.2	5.6388	2.4	105.8
Germany	(DM)	1.7169	-0.0028	166 - 171	1.7270	1.7121	1.7137	2.2	1.7072	2.3	1.6735	2.5	104.4
Greece	(Dr)	269.915	-0.575	840 - 990	271.400	269.210	271.47	-6.9	274.04	-6.1	285.065	-5.6	66.0
Ireland	(I£)	1.5488	+0.0006	479 - 496	1.5515	1.5430	1.5483	0.3	1.5478	0.3	1.5491	0.0	-
Italy	(L)	1699.20	+1.7	860 - 980	1705.32	1691.50	1702.2	-2.1	1707.05	-1.8	1716.85	-1.0	76.0
Luxembourg	(LFr)	35.4350	-0.04	300 - 400	35.6350	35.3220	35.375	2.0	35.2475	2.1	34.7075	2.1	103.1
Netherlands	(Fl)	1.9310	-0.003	305 - 313	1.9424	1.9255	1.9272	2.4	1.9192	2.4	1.8837	2.5	102.7
Norway	(NKr)	6.9578	-0.0195	553 - 603	6.9955	6.9401	6.954	0.6	6.9484	0.5	6.9228	0.5	100.2
Portugal	(Es)	171.860	-0.55	810 - 910	172.550	171.550	171.99	-0.9	172.14	-0.7	171.875	0.0	94.9
Spain	(Pta)	145.000	-0.155	950 - 050	145.880	144.740	145.09	-0.7	145.21	-0.6	145.005	0.0	77.6
Sweden	(SKr)	7.6942	-0.0009	904 - 979	7.7186	7.6638	7.6914	0.4	7.6816	0.7	7.6342	0.8	84.3
Switzerland	(SFr)	1.4688	-0.005	683 - 693	1.4800	1.4655	1.4641	3.9	1.4546	3.9	1.4091	4.1	103.0
UK	(£)	1.6241	+0.0008	236 - 246	1.6257	1.6188	1.6235	0.4	1.622	0.5	1.6145	0.6	99.5
Ecu	-	1.1375	+0.0015	370 - 380	1.1409	1.1334	1.1386	-1.2	1.1412	-1.3	1.1564	-1.7	-
SDR†	-	0.73071	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0585	+0.0001	584 - 586	1.0586	1.0584	-	-	-	-	-	-	-
Canada	(C$)	1.3913	+0.0035	910 - 915	1.3925	1.3896	1.3884	2.5	1.3832	2.3	1.3618	2.1	84.6
Mexico	(New Peso)	7.9135	+0.029	120 - 150	7.9150	7.9120	8.0315	-17.9	8.298	-19.4	9.1585	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2800	+0.0013	796 - 804	1.2804	1.2796	1.2807	-0.7	1.2815	-0.5	1.2868	-0.5	101.3
Hong Kong	(HK$)	7.7491	+0.0003	486 - 496	7.7496	7.7486	7.749	0.0	7.7496	0.0	7.7606	-0.1	-
India	(Rs)	35.8250	-0.01	000 - 500	35.8500	35.8000	36.04	-7.2	36.5	-7.5	-	-	-
Israel	(Shk)	3.3934	-0.0024	902 - 966	3.3983	3.3896	-	-	-	-	-	-	-
Japan	(Y)	126.115	-0.405	080 - 150	127.190	125.670	125.58	5.1	124.555	4.9	119.755	5.0	120.9
Malaysia	(M$)	2.5054	+0.0014	050 - 057	2.5080	2.5035	2.5082	-1.4	2.5136	-1.3	2.5349	-1.2	-
New Zealand	(NZ$)	1.4456	+0.0044	449 - 463	1.4463	1.4449	1.4479	-1.9	1.4522	-1.8	1.4729	-1.9	-
Philippines	(Peso)	26.3850	-0.005	400 - 900	26.3900	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0002	505 - 510	3.7510	3.7505	3.751	-0.1	3.7515	-0.1	3.7534	-0.1	-
Singapore	(S$)	1.4382	-0.003	377 - 387	1.4426	1.4376	1.436	1.8	1.4314	1.9	1.4102	1.9	-
South Africa	(R)	4.4565	+0.0185	550 - 580	4.4720	4.4350	4.4972	-11.0	4.5722	-10.4	4.887	-9.7	-
South Korea	(Won)	893.000	-1	000 - 000	895.400	891.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5700	-0.03	500 - 900	27.6120	27.5500	27.5701	0.0	27.5703	0.0	-	-	-
Thailand	(Bt)	26.0790	-0.006	740 - 840	26.1150	26.0110	26.169	-4.1	26.3365	-3.9	26.974	-3.4	-

† SDR rate per $ for Apr 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 9: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 10	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3⅛	3¼	3¼	3⅜	3 15/32	6.00	2.50	-
France	3 5/32	3¼	3¼	3⅜	3⅝	3.10	-	4.75
Germany	3 5/32	3⅛	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5½	5 13/16	5 15/16	6 3/32	5⅝	-	-	6.25
Italy	7¼	7⅛	7¼	7	6⅞	8.25	6.75	7.34
Netherlands	3¼	3⅛	3⅛	3⅜	3⅝	-	3.00	3.30
Switzerland	1⅝	1⅝	1⅝	1¾	1⅞	-	1.00	-
US	5¼	5½	5⅝	5⅞	6⅛	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 17/32	5⅝	6	6⅛	-	-	-
US Dollar CDs	-	5.48	5.58	5.73	6.07	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3½	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Apr 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3⅛	3¼ - 3⅛	3 11/32 - 3 7/32	3⅜ - 3¼	3 7/16 - 3 5/16	3 19/32 - 3⅜
Danish Krone	3 13/32 - 3¼	3 13/32 - 3½	3⅝ - 3½	3 11/16 - 3 9/16	3 25/32 - 3⅝	4 1/16 - 3 29/32
German Mark	3 5/16 - 3 3/16	3¼ - 3	3¼ - 3	3¼ - 3	3¼ - 3	3⅝ - 3⅛
Dutch Guilder	3¼ - 3 3/16	3 3/32 - 3 1/32	3 3/32 - 3 1/16	3¼ - 3⅛	3 13/32 - 3 9/32	3 7/16 - 3 11/32
French Franc	3¼ - 3 5/32	3 5/16 - 3 3/16	3 11/32 - 3 7/32	3 15/32 - 3 11/32	3 15/32 - 3¼	3½ - 3⅜
Portuguese Esc.	6¼ - 6 3/32	6 5/16 - 6 3/16	6 5/16 - 6 3/16	5 15/16 - 5⅞	5 15/16 - 5 25/32	5 13/16 - 5 11/16
Spanish Peseta	5 11/16 - 5 21/32	5⅝ - 5 9/16	5 11/16 - 5 9/16	5⅝ - 5½	5 9/16 - 5 7/16	5 15/16 - 5 7/16
Sterling	6 - 5⅞	6 1/32 - 5 31/32	6⅛ - 6 1/16	6⅜ - 6 11/32	6⅝ - 6 9/16	6 15/16 - 6 27/32
Swiss Franc	1⅝ - 1¼	1¾ - 1⅝	1 13/16 - 1 11/16	1 15/16 - 1 13/16	1 15/16 - 1 13/16	2 1/16 - 1 29/32
Canadian Dollar	3 3/16 - 3	3 5/16 - 3 3/16	3⅜ - 3 7/32	3 19/32 - 3 15/32	3 15/16 - 3 13/16	4 15/32 - 4 11/32
US Dollar	5 17/32 - 5 13/32	5⅝ - 5½	5 11/16 - 5 9/16	5 13/16 - 5 11/16	6 - 5⅞	6⅜ - 6¼
Italian Lira	7¼ - 6 27/32	7⅜ - 7¼	7 5/16 - 7 3/16	7 5/16 - 7 3/16	7⅛ - 7 1/16	6 29/32 - 6 25/32
Japanese Yen	17/32 - ½	17/32 - ½	9/16 - 15/32	17/32 - 13/32	17/32 - 7/16	⅝ - 17/32
Asian $Sing	3 7/16 - 3 5/16	3 5/16 - 3 3/16	3⅜ - 3¼	3⅜ - 3¼	3 7/16 - 3 5/16	3 9/16 - 3 7/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.68	96.66	-0.02	96.69	96.65	13,789	59,380
Sep	96.59	96.57	-0.02	96.60	96.56	6,156	48,322
Dec	96.48	96.46	-0.02	96.48	96.46	4,699	31,946

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.73	96.74	+0.01	96.74	96.73	14712	229938
Sep	96.69	96.67	-	96.68	96.66	8962	192080
Dec	96.51	96.51	-0.01	96.52	96.50	14741	212205
Mar	96.35	96.35	-	96.36	96.33	15752	159700

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr		96.78	-			0	7323
May		96.78	-			0	3926
Jun		96.78	-			0	625
Jul		96.77	-			0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.06	92.99	-0.08	93.07	92.98	20675	107752
Sep	93.44	93.35	-0.11	93.46	93.34	14794	69755
Dec	93.54	93.48	-0.10	93.58	93.47	6232	41838
Mar	93.56	93.49	-0.10	93.57	93.48	2229	25662

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.99	98.04	+0.07	98.04	97.98	8317	58421
Sep	97.95	98.00	+0.06	98.01	97.95	4653	29653
Dec	97.81	97.84	+0.06	97.87	97.80	3231	17533
Mar	97.71	97.73	+0.07	97.73	97.70	964	8025

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.36	-0.03			0	na
Sep		99.24	-0.04			0	na
Dec	99.08	99.08	-0.04	99.08	99.08	300	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.83	-0.03	95.86	95.83	791	8471
Sep	95.81	95.78	-0.03	95.82	95.79	566	4796
Dec	95.72	95.69	-0.03	95.73	95.70	374	5338
Mar	95.63	95.59	-0.03	95.63	95.60	41	3793

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9275	0.39	0.78	0.94	0.15	0.18	0.21
9300	0.23	0.60	0.76	0.24	0.25	0.28
9325	0.13	0.42	0.60	0.39	0.32	0.37

Est. vol. total, Calls 1685 Puts 632. Previous day's open int., Calls 148491 Puts 62811

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.31	4.844	1.823	4796	5.449	19.64	485.0	409.2	21.72	4.144	1.739	3.926	2.822	355.9	2.481
Denmark	(DKr)	54.14	10	8.829	2.623	0.987	2596	2.950	10.63	262.6	221.5	11.76	2.244	0.941	2.125	1.528	192.7	1.343
France	(FFr)	61.32	11.33	10	2.971	1.118	2941	3.342	12.04	297.4	250.9	13.32	2.541	1.066	2.407	1.730	218.2	1.522
Germany	(DM)	20.64	3.813	3.365	1	0.378	990.0	1.125	4.053	100.1	84.47	4.484	0.855	0.359	0.810	0.582	73.46	0.512
Ireland	(I£)	54.86	10.13	8.947	2.658	1	2631	2.990	10.77	266.1	224.5	11.92	2.274	0.953	2.153	1.548	195.2	1.361
Italy	(L)	2.085	0.385	0.340	0.101	0.038	100.	0.114	0.409	10.11	8.533	0.453	0.086	0.036	0.082	0.059	7.420	0.052
Netherlands	(Fl)	18.35	3.390	2.993	0.889	0.335	880.1	1	3.603	89.00	75.10	3.986	0.761	0.319	0.720	0.518	65.31	0.455
Norway	(NKr)	50.93	9.407	8.305	2.467	0.928	2442	2.775	10	247.0	208.4	11.06	2.111	0.885	1.999	1.437	181.2	1.264
Portugal	(Es)	20.62	3.809	3.363	0.999	0.376	988.9	1.124	4.049	100.	84.38	4.479	0.855	0.358	0.809	0.582	73.38	0.512
Spain	(Pta)	24.44	4.514	3.985	1.184	0.445	1172	1.332	4.798	118.5	100.	5.308	1.013	0.425	0.959	0.690	86.96	0.606
Sweden	(SKr)	46.04	8.504	7.508	2.230	0.839	2208	2.509	9.040	223.3	188.4	10	1.908	0.800	1.807	1.299	163.8	1.142
Switzerland	(SFr)	24.13	4.457	3.935	1.169	0.440	1157	1.315	4.738	117.0	98.74	5.241	1	0.419	0.947	0.681	85.87	0.599
UK	(£)	57.55	10.63	9.386	2.788	1.049	2760	3.136	11.30	279.1	235.5	12.50	2.385	1	2.259	1.624	204.8	1.428
Canada	(C$)	25.48	4.706	4.154	1.234	0.464	1222	1.388	5.002	123.6	104.2	5.533	1.056	0.443	1	0.719	90.66	0.632
US	($)	35.44	6.546	5.779	1.717	0.646	1700	1.931	6.958	171.9	145.0	7.697	1.469	0.616	1.391	1	126.1	0.879
Japan	(Y)	28.10	5.190	4.583	1.361	0.512	1348	1.531	5.518	136.3	115.0	6.104	1.165	0.488	1.103	0.793	100.	0.697
Ecu		40.30	7.444	6.572	1.952	0.735	1933	2.196	7.913	195.4	164.9	8.754	1.670	0.700	1.582	1.137	143.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5823	0.5847	+0.0025	0.5866	0.5815	31,899	82,357
Sep	0.5892	0.5887	+0.0026	0.5895	0.5886	175	2,589
Dec	-	0.5903	-	-	-	1	207

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7963	0.8006	+0.0045	0.8033	0.7936	15,312	78,941
Sep	0.8065	0.8116	+0.0046	0.8133	0.8065	195	1,290
Dec	-	0.8250	+0.0065	0.8250	-	72	612

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6813	0.6844	+0.0038	0.6871	0.6800	17,019	43,454
Sep	0.6877	0.6910	+0.0037	0.6921	0.6877	86	2,101
Dec	0.6986	0.6986	+0.0040	0.6986	0.6986	1	377

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6174	1.6208	+0.0034	1.6234	1.6170	6,603	34,792
Sep	1.6185	1.6170	+0.0026	1.6186	1.6150	31	858
Dec	-	1.6130	+0.0016	1.6140	-	11	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 5½	6 - 5⅞	6⅛ - 6	6 13/32 - 6 11/32	6 11/16 - 6 9/16	7 1/16 - 6 29/32
Sterling CDs	-	-	6⅛ - 6 1/16	6⅜ - 6 5/16	6 19/32 - 6 17/32	6 15/16 - 6⅞
Treasury Bills	-	-	6 3/32 - 5 31/32	6 5/16 - 6 3/16	-	-
Bank Bills	-	-	6 1/16 - 5 15/16	6¼ - 6 3/16	6 9/16 - 6 7/16	-
Local authority deps.	6 - 5⅞	6 - 5⅞	6 1/16 - 6	6 5/16 - 6 3/16	6 9/16 - 6 7/16	6 29/32 - 6 13/16
Discount Market deps	6 1/16 - 5 13/16	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Apr 4, 6.0914pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.282pc. Finance House Base Rate 6½pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.36	93.38	+0.01	93.39	93.35	13310	120200
Sep	93.07	93.10	+0.02	93.13	93.07	9902	90890
Dec	92.84	92.88	+0.02	92.92	92.84	11192	71449
Mar	92.68	92.73	+0.03	92.76	92.68	5960	48931
Jun	92.59	92.61	+0.02	92.64	92.58	2405	40512

Also traded on APT. All Open Interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9325	0.20	0.13	0.13	0.07	0.28	0.50
9350	0.06	0.05	0.06	0.18	0.45	0.68
9375	0.01	0.02	0.03	0.38	0.67	0.90

Est. vol. total, Calls 3212 Puts 2183. Previous day's open int., Calls 159046 Puts 157986

EMS EUROPEAN CURRENCY UNIT RATES

Apr 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.736976	-0.000286	-7.73	10.61	52
Portugal	197.398	196.225	-0.328	-0.59	2.67	4
Finland	5.85424	5.85340	-0.00462	-0.01	2.08	0
Spain	163.826	165.499	+0.03	1.02	1.03	-7
Italy	1906.48	1933.72	+0.91	1.43	0.63	-10
Netherlands	2.16979	2.20292	-0.00135	1.53	0.53	-11
Denmark	7.34555	7.46339	-0.00187	1.60	0.45	-11
Germany	1.92573	1.95894	-0.001	1.72	0.33	-17
Belgium	39.7191	40.4152	-0.0195	1.75	0.31	-13
Austria	13.5485	13.7868	-0.0087	1.76	0.30	-13
France	6.45863	6.59197	-0.0026	2.06	0.00	-17
NON ERM MEMBERS						
Greece	295.269	308.439	-0.05	4.46	-2.29	-
UK	0.793103	0.704564	+0.001821	-11.16	14.89	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.630	0.09	1.09	1.67	1.14	2.26	2.69
1.640	-	0.76	1.31	2.06	-	-
1.650	-	0.51	1.05	2.99	3.64	-

Previous day's vol., Calls 229 Puts 375. Prev. day's open int., Calls 31,743 Puts 33,912

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
0.595	-	0.23	0.43	1.49	1.60	1.71
0.600	-	0.15	0.32	1.98	2.02	2.09
0.605	-	0.09	0.23	2.46	-	2.53

Previous day's vol., Calls 1,326 Puts 1,923. Prev. day's open int., Calls 30,865 Puts 39,938

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.04	94.03	-	94.04	94.02	39,546	503,516
Sep	93.73	93.73	-	93.73	93.71	58,858	396,335
Dec	93.43	93.42	-0.01	93.43	93.41	56,763	281,046

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.60	94.60	-0.01	94.61	94.60	100	6,986
Sep	-	94.30	-	-	94.30	117	3,333
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9650	0.24	0.24	0.24	0.20	0	0	0	0.03
9675	0.01	0.02	0.04	0.05	0.02	0.03	0.05	0.13
9700	0	0	0	0.01	0.26	0.26	0.26	0.34

Est. vol. total, Calls 13842 Puts 12571. Previous day's open int., Calls 445600 Puts 248487

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9825	0.04	0.09	0.13	0.25	0.34	0.54
9850	0.01	0.03	0.06	0.47	0.53	0.72

Est. vol. total, Calls 150 Puts 150. Previous day's open int., Calls 1025 Puts 1540

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

Notice of Early Redemption

SEK

Aktiebolaget Svensk Exportkredit (Swedish Export Credit Corporation)

ITL 150,000,000,000

9.125 Per Cent. Notes due 2004 Series No: 73

Notice is hereby given that, in accordance with condition 6.03 and 6.04 of the Information Memorandum and the Terms and Conditions of the Pricing Supplement, the Issuer has exercised their option to redeem the above Notes at par on the interest payment date 13th May, 1997. Interest shall cease to accrue on the Notes from 13th May, 1997.

Bankers Trust Company, London
11th April, 1997

TF1 1996 RESULTS

The TF1 Board of Directors met on April 8, 1997 under the chairmanship of Patrick LE LAY.

(in million FF)	1994	1995	1996	% change '96/'95
Consolidated turnover	8,424	9,140	9,685	+ 6.0 %
- TF1 Channel's advertising revenues	7,051	7,343	7,424	+ 1.1 %
- Diversification revenues	1,373	1,797	2,261	+ 25.8 %
Net profit (attributable to the Group)	542	602	575	- 4.5 %

Consolidated turnover for the TF1 Group was 9,685 million FF, up 6% from last year.

TF1 scored 89 out of the top 100 viewer ratings in 1996, the same performance as in 1995.

Net advertising revenues grew by 1.1% to 7,424 million FF in a sluggish economic environment with falling consumer demand during the fourth quarter. Programming costs rose 4.5% to 4,584 million FF.

In 1996, diversification activities continued to grow and posted a 26% rise in revenues at 2,261 million FF.

- The publishing and distribution branch increased its turnover by 8.2% despite declining retail sales in France. Video et music activities posted stable turnover. Home-shopping and merchandising activities grew strongly for the second year in a row.

- EUROSPORT now reaches 72 million european households in 43 countries. The channel is available in 14 different languages: 90% of its 16 million daily viewers receive EUROSPORT in their own native language. The pan-european channel recorded a 36% rise in turnover thanks to major sporting events (The Atlanta Olympic Games and Euro 96) and ended the year in the black.

- LCI is available to 1.2 million cable or satellite subscribers, up 35% since 1995. The 24-hour news channel is now a leading reference in the French news media: according to a Mediamétrie survey released in september 1996, 72% of cable subscribers tune in to LCI if a special story breaks out.

- In 1996, TF1 further developed its thematic channels by creating ODYSSÉE, a documentary channel.

- Production activities turnover increased strongly as the production company GLEM entered the consolidation scope.

- The TPS project in which TF1 has a 25% stake was officially launched on December 17, 1996. The digital package was enthusiastically welcomed by the French public with more than 100,000 subscriptions at the end of March 1997. Broadcasting of digital programs and interactive services is a key strategic move for TF1.

Net consolidated profit (attributable to the Group) was 575 million FF. It includes a negative impact of 33 million FF for the launch of TPS and the goodwill depreciation following the acquisition of the GLEM Group and the FILM PAR FILM company.

The shareholders' meeting will be held on June 12, 1997 at 9.00 AM. The Board of Directors will recommend a dividend of FF 16 per share with an additional tax credit of FF 8, payable as of June 27, 1997.

The Board of Directors appointed Mr Albert FRÈRE as Board member of TF1.

Release of first quarter turnover 1997 scheduled in the "Bulletin d'Annonces Légales et Officielles" (BALO) on May, 12.

Contacts: Financing and Investor Relations Department - 33 1 41 41 27 32
Corporate Communications Department - 33 1 41 41 21 23.
Internet: http://www.tf1.fr

FOREIGN & COLONIAL PORTFOLIOS FUND
(formerly Hypo Foreign & Colonial Portfolios Fund)
Société d'Investissement à Capital Variable
47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg No. B 25.570

NOTICE TO SHAREHOLDERS

The Board of Directors has approved the payment of a quarterly dividend of 22.5 pence per share on the registered shares of the FOREIGN & COLONIAL PORTFOLIOS FUND – STERLING DISTRIBUTION PORTFOLIO as follows:

Record date: 28th March, 1997
Ex-date: 1st April, 1997
Payment date: 15th April, 1997

Luxembourg, April 7, 1997

COMMODITIES AND AGRICULTURE

Zaire project shrugs off political turmoil

Raising money for a mining project in Zaire is not necessarily difficult, in spite of the political upheaval in that country, says Mr Adolf Lundin. Institutional investors were falling over themselves last November to put up cash for the Tenke Fungurume copper-cobalt project in southern Zaire.

Mr Lundin, a 63 year-old Swedish mining engineer who has made a fortune from oil and mining ventures and divides his time between homes in Geneva and Vancouver, was seeking C$120m (US$86.5m) on the Toronto Stock Exchange. He was offered four times that amount by investors in Europe and North America.

So he expects no lack of appetite among the institutions when Tenke Mining Corporation goes back for more money early next year. It will look for about C$190m from new equity and also hopes for about C$150m of debt finance.

The institutions are willing to accept the political risk attached to Zaire because Tenke Fungurume is widely considered to be one of the largest and richest deposits of its type anywhere in the world.

A great deal is riding on Tenke's success. It could herald the revitalisation of the African copper belt, once the world's biggest supplier of the metal. The future of Gécamines, Zaire's state-owned copper group, also rests heavily on the project, in which it has a 45 per cent stake.

And, as Mr Ted Webb, Tenke president, said yesterday: "It will be a barometer for future foreign investment in Zaire for the IMF and the World Bank. They are keenly watching what we are doing."

Mr Lundin went to Zaire because: "If you want to find big [mineral] deposits today you have to go to countries that are not popular."

This approach served him well in Argentina, a country without a mining history. In the early 1990s his International Musto company tied up one of the best copper prospects in Argentina and Mr Lundin personally helped the government bring its mining laws up to date.

In 1994, MIM of Australia paid $120m for half of the Argentinian project, Allumbrera, destined shortly to become one of the biggest copper-gold producers in the world. In 1995 North of Australia and Rio Algom of Canada successfully bid $510m for Musto, of which Mr Lundin owned 36 per cent.

Kenneth Gooding

Ted Webb (left) and Adolf Lundin expect no delays from attempts to oust President Mobutu

He started lobbying in Zaire in 1994, talking to Gécamines about Tenke Fungurume, located 180km north-west of Lumbumbashi, capital of Shaba Province. He knew much of the exploration risk had been taken out of this project because 173km of drilling had already been carried out, as well as extensive tunnelling, trenching and pitting.

A consortium including Anglo American Corporation, Amoco, Mitsui and others, spent $268m on feasibility, development and construction in the 1970s before local politics and low copper prices drove them away.

Last year, after a long tender process, Mr Lundin was awarded 55 per cent of Tenke Fungurume on terms that included an initial payment to Gécamines of $50m plus $200m over the next four years. Mr Webb said Gécamines was still waiting for its $50m because claims for compensation from a family living on the mine site had still to be settled. The cash was earning about $250,000 a month for Tenke.

Tenke is spending $22m on a feasibility study to be completed in February and hopes to start production mid-way through 2000 at an annual rate of 100,000 tonnes of copper and 8,000 tonnes of cobalt. Capital expenditure for this phase is estimated to be only $300m because so much of the previous infrastructure can be used.

Mr Lundin hopes Tenke Fungurume will be producing 400,000 tonnes of copper a year by 2010.

Mr Webb said yesterday he expected no delays from the present turmoil in Zaire. Mr Laurent Kabila's Alliance of Democratic Forces (AFDL), which is seeking to overthrow long-standing president Mobutu Sese Seko, passed through the site on Tuesday.

"We lost just three hours' work in total, welcoming the soldiers. There has been no looting or pillaging and no member of the mine staff was threatened. We just gave them some food, a little diesel and they went on their way," said Mr Webb.

When Mr Lundin and Mr Webb met Mr Kabila on Monday he said he wanted the project to continue and that "although there might be some review of our arrangements, there should not be any material changes to the project."

Mr Webb said the security budget for the project was only $1m. "We don't go in for guns and weapons," said Mr Webb. "The best security is to get local people on your side and keep them fully informed about what you are doing."

Kenneth Gooding

NZ lifts milk market share

By Terry Hall in Wellington

New Zealand dairy producers will have supplied nearly 30 per cent of world trade this year according to the country's Dairy Board.

The board expects to handle an extra 200,000 tonnes of milk this season, bringing total production to a record 1.2m tonnes. In previous years New Zealand has supplied around 22 per cent of international dairy produce.

The board says it will be able to sell virtually all its additional milk this season – until June. This is in contrast to last year, when a late surge in production left a carry-over of stocks that had to be squeezed into this season's sales, and helps explain the 8 per cent jump by New Zealand in the international dairy sales league stakes.

The board expects to begin the new season in July in a strong position with minimal stocks. This should remove pressure from the international dairy markets.

The bad news for New Zealand dairy farmers is that the unexpected increase in production has meant that much of the extra milk had to be sold in the lower price world commodity markets, reversing the trend of recent years when the board had sold more to branded and specialised dairy markets.

"We can cope in finding premium returns for specialised products in an average year when we have a 3 or 4 per cent rise in production," Dairy Board spokesman Neville Martin said. "This year has shown that we can't manage to do that faced with a 10 per cent plus rise in production."

Most of the increased production was sold to Russia and North Africa with much ending up in the recombining trade for milk production.

Overseas price trends have not helped the board's marketing efforts. The price of bulk butter on world markets has slipped by around 30 per cent, with that of milk powder falling by about 10 to 12 per cent since the end of last year, although prices have since stabilised.

The board is predicting a total payout this season of around NZ$3.15 to NZ$3.20 a kilo of milk solids – well down on last season's NZ$3.60 a kg.

Russia fears cloud palladium

MARKETS REPORT

By Gary Mead

Nervousness over delivery of Russian exports yesterday clouded palladium trading in the US and London – where the early-morning fix saw the precious metal start the day $3.25 above its Wednesday afternoon figure, to $160.25 an ounce, a 21-month peak.

However, a measure of calm later descended, after reports from the Russian finance ministry that long delays in exports to Japan – a big consumer of the metal – might soon be unsnarled. By early afternoon the price in London had retreated to $155.50 an ounce, while early trading on Nymex in the US saw it fall $4.95 to $154.60.

A degree of uncertainty nevertheless persisted, particularly in the US, where there was talk of the price hitting $190-$200 an ounce by the end of the year.

But analysts in London viewed the delays in exports from Russia – the biggest palladium producer – as resulting more from bureaucratic factors than any attempt to manipulate the market.

Oil prices slipped in London yesterday, with the price of Brent Blend for May delivery crumbling to $17.54 a barrel, a new nine-month low, in mid-afternoon trading on the International Petroleum Exchange. Brent May later recovered to $17.73 – 2 cents down on Wednesday's close – but dealers continued to feel bearish in the context of recent output increases from members of the Organisation of Petroleum Exporting Countries and non-Opec producers.

On the London International Financial Futures Exchange May robusta coffee futures failed to hold on to early gains and ended the day unchanged at $1,580, while July added $2 to close at $1,585.

On the same exchange, cocoa recovered some of the ground lost in the past week, with the May contract closing £30 higher at £1,002 a tonne and July gaining £28 to finish at the day at £1,018.

In the US yesterday cocoa futures rose sharply in early trading, with dealers ascribing the move to speculative buying; by midday, May futures were up $27 a tonne to $1,407 and July had gained $22 to $1,442.

W Australia to levy gold royalty

By Nikki Tait in Sydney

Miners in Western Australia face a gold royalty from the beginning of 1998, the state government announced yesterday.

This will be levied at an initial rate of 1.25 per cent, but increase to 2.5 per cent in the 1999/2000 financial year. The first 1,000 ounces of gold produced by any project will be exempt from the tax.

The state government, which made the announcement as part of its annual budget, said it expected the tax to raise around A$19m (US$15.8m) in 1997/8, and A$37m in the following year, when the tax would have been levied for the full 12 months. In 1999/2000, when the higher rate would apply, the revenue raised would be A$74m.

Mr Richard Court, state premier, blamed federal funding cutbacks for the move. "We have always been extremely reluctant to introduce a royalty for gold, but our current revenue position has left us with few other options," he said.

Mr Court added that he intended to consult with industry to determine the final framework of the royalty.

But the move is likely to generate a furious outcry from gold producers, who claim that they are already battling depressed prices, increasing production costs and problems associated with native title claims.

Last month, Mr John Quinn, managing director of Newcrest Mining, said that the introduction of a royalty could "reduce the industry's international competitiveness" and have "long-term, serious implications for the state". The industry has also argued the tax will deter marginal production, and probably lead to a reduction in exploration expenditure.

The WA gold mining industry produced around 215 tonnes last year, and has traditionally accounted for about three-quarters of Australia's gold output. The state has almost 500 gold producers, although as many as 400 are very small operations, often involving only a couple of people.

Other Australian states already levy taxes on gold production - ranging from 2 per cent in Queensland to 5 per cent in South Australia.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1553.5-54.5	1588-88.5
Previous	1554.5-5.5	1589-90
High/low	n/a	n/a
AM Official	1552-52.5	1587-87.5
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1440-45	1470-75
Previous	1445-50	1475-80
High/low	n/a	n/a
AM Official	1449-50	1478-80
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ LEAD ($ per tonne)

Close	643-44	647-48
Previous	647-9	650-1
High/low	n/a	n/a
AM Official	643-43.5	647-48
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ NICKEL ($ per tonne)

Close	7310-20	7420-30
Previous	7350-60	7460-70
High/low	n/a	n/a
AM Official	7354-55	7455-56
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ TIN ($ per tonne)

Close	5670-80	5705-10
Previous	5740-50	5770-75
High/low	n/a	n/a
AM Official	5695-700	5725-30
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ ZINC, special high grade ($ per tonne)

Close	1230-32	1255-57
Previous	1239.5-40.5	1264.5-5.0
High/low	n/a	n/a
AM Official	1235-35.5	1260-61
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ COPPER, grade A ($ per tonne)

Close	2344-47	2301-4
Previous	2357-9	2308-9
High/low	n/a	n/a
AM Official	2339-40	2299-300
Kerb close		n/a
Open int.	n/a	
Total daily turnover	n/a	

■ LME AM Official £/$ rate: 1.6214
LME Closing £/$ rate:

Spot: 1.6232 3 mths: 1.6210 6 mths: 1.6184 9 mths: 1.6161

■ HIGH GRADE COPPER (COMEX)

	Sett	Day's				Open

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	348.5	+0.5	348.0	348.0	62	495
May	349.3	+0.5	-	-	-	-
Jun	350.9	+0.5	351.1	350.0	10,067	64,319
Aug	353.6	+0.5	353.8	352.9	56	13,377
Oct	356.3	+0.5	355.8	355.8	517	6,040

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	98.80	+0.30	99.25	98.25	165	2,455
Jul	101.85	+0.35	102.20	101.20	105	1,328
Sep	98.25	+0.40	-	-	-	46
Nov	100.25	+0.40	100.75	100.00	695	2,498
Jan	102.25	+0.40	102.25	102.00	43	800

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (£/tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1002	+30	1005	974	1,691	20,423
Jul	1017	+27	1019	993	2,262	18,016
Sep	1028	+21	1029	1009	1,027	12,234
Dec	1015	+9	1017	1008	1,897	26,359
Mar	1026	+8	1026	1016	1,879	26,351

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	69.250	+0.725	69.300	68.550	6,140	12,873
Jun	64.575	+0.375	64.650	64.225	10,593	36,224
Aug	64.325	+0.125	64.400	64.150	3,201	24,412
Oct	68.025	-0.075	68.175	67.950	1,723	15,868
Dec	70.025	-0.050	70.125	69.900	583	7,869

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.11-6.31w	-0.145
Brent Blend (dated)	$17.20-7.24	-0.110
Brent Blend (May)	$17.80-7.84	-0.260
W.T.I.	$19.28-9.32w	-0.240

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$201-203	-2
Gas Oil	$163-165	-3
Heavy Fuel Oil	$80-81	-2.5
Naphtha	$183-186	-2
Jet fuel	$181-183	-3
Diesel	$170-173	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.1-10.2	+0.1

Petroleum Argus. Tel. London (0171) 359 8792

IPE (May)	10.250	-0.030

■ OTHER

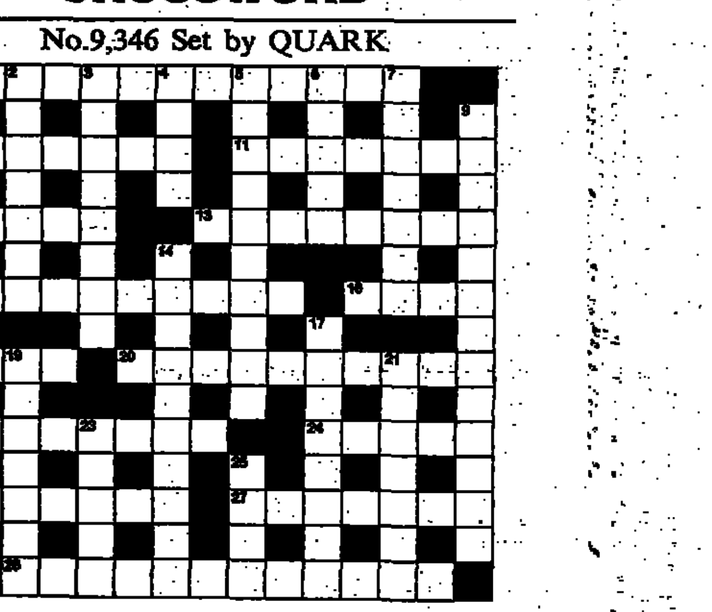
Gold (per troy oz)♣	$348.15	-0.15
Silver (per troy oz)♣	480.00c	+1.00
Platinum (per troy oz.)	$368.25	+1.50
Palladium (per troy oz.)	$155.50	-1.50
Copper	114.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.20r	-0.01
Tin (New York)	289.50	
Cattle (live weight)	97.73p	+1.67*
Sheep (live weight)	132.96p	-20.24*
Pigs (live weight)†	82.19p	-3.51*
Lon. day sugar (raw)	$278.30	+5.70
Lon. day sugar (wte)	$313.50	+2.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.75	
Wheat (US Dark North)	Unq	
Rubber (May)♥	75.00p	
Rubber (Jun)♥	75.00p	
Rubber (KL RSS No1)	292.0x	-1.0
Coconut Oil (Phil)§	730.0y	
Palm Oil (Malay.)§	560.0z	
Copra (Phil)§	$480.0y	
Soyabeans (US)	228.0	-2.0
Cotton Outlook 'A' index	79.10c	-0.10
Wooltops (64s Super)	397p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Apr London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,487 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,346 Set by QUARK



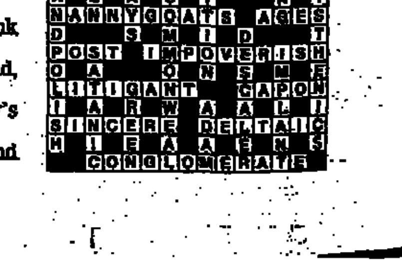
ACROSS

1 Portraying or exhibiting again (12)
10 Repeated letter with lettering in red? (7)
11 When in lorry, learner shouldn't be one (7)
12 In Sinai, adore the river nymph (5)
13 One from the north with unusual mascot between poles (8)
15 Put in rail about to work in a kind of engineering (10)
16 Quiet old English attached to the horse? (4)
18 Flat that can be divided by two (4)
20 Not often celebrated but will be soon (10)
22 Various eulogies mostly include priest for the last word (8)
24 Previous part of the play is rigorous (5)
26 Ariel is different character near the Med? (7)
27 OS, expanded! (7)
28 He holds sway over the wrigglers (5,7)

DOWN

2 Man losing head with drink is to get in a tangle (7)
3 After criticism I tidy round, showing haste (8)
4 The drink? A party's uplifted (4)
5 The placard's efficient and easily seen (10)
6 Contribution towards pint distributed around university (5)
7 Georgia's a heavy person having initially to move clumsily (7)
8 The advantage of having the edge; eg a company car (6,7)
9 Bill poster? (7,6)
14 Dull one's head I've seen is very small (10)
17 Store can in a heap, from which one descended! (8)
19 They left the country as regime's unsettled? (7)
21 Picture that's to go round journal (fashionable) (7)
23 The end of some gardeners (5)
25 Clothes attacker's short time on unfinished article (4)

Solution 9,345



FINANCIAL TIMES WEEKEND APRIL 26/APRIL 27 1997 ★

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
Uk. Prof Advisers 0800 414181 · Jersey 01534 71696
Private Clients 0800 414161 · 49 392 250484230
Fund Dealing (44) 1732 777377 · Hong Kong (852) 848 1000

	Selling Price	+or-	Yield Grs
A$ Accum	A$19.590	+0.009	5.00
BSch Accum	Sch251.28	+0.01	2.10
C$ Accum	C$19.882	+0.00	1.90
DM Accum	DM38.670	+0.002	2.00
DFl Accum	Dfl31.915	+0.002	1.90
ECU Accum	Ecu13.080	+0.001	3.00
FFr Accum	FFr67.711	+0.004	2.10
HK$ Accum	HK$123.63	+0.01	4.45
Lira Accum	L24320	+4	6.30
NZ$ Accum	NZ$41.217	+0.007	6.50
NKr Accum	NKr113.83	+0.01	2.00
S$ Accum	S$20.382	+0.002	2.10
SPta Accum	Pta2803.9	+0.4	4.70
£ Accum	£19.431	+0.002	5.10
SKr Accum	SKr122.[illegible]	+0.01	3.00
SFr Accum	SFr20.450	+0.001	0.60
US$ Accum	$23.996	+0.003	4.60
Yen Accum	Y2881.7	—	0.10

Prices for dealing April [illegible]

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.

Five Arrows International Bond Funds

	Init Charge	Selling Price	Buying Price	+or-	Yield Grs
FAIB £ Bond	3¼	£22.12	22.83	+0.01	5.73
FAIB US$ Bond	3¼	$33.15	34.27	—	5.51
FAIB £ Global	3¼	£16.84	17.41	+0.02	5.27
FAIB US$ Global	3¼	$29.74	30.74	-0.02	5.23

Five Arrows International Reserves Ltd

	Selling Price	+or-	Yield Grs
FAIRL £	£46.108	+0.008	5.05
FAIRL A$	A$51.258	+0.007	6.01
FAIRL C$	C$37.250	+0.005	1.98
FAIRL DFl	Dfl101.285	+0.005	1.90
FAIRL DKr	DKr402.90	+0.030	2.42
FAIRL DM	DM80.855	+0.005	2.09
FAIRL ECU	Ecu32.383	+0.003	3.09
FAIRL BFr	BFr3080.61	+0.120	2.17
FAIRL FM F	FM302.247	+0.018	1.85
FAIRL FFr	FFr480.284	+0.028	2.12
FAIRL HK$	HK$184.94	+0.020	4.35
FAIRL Lira	L148509	+25.0	6.28
FAIRL NZ$	NZ$47.924	+0.009	6.39
FAIRL NKr F	NKr404.106	+0.021	1.90
FAIRL S$	S$97.961	+0.006	2.29
FAIRL R F	R918.689	+0.121	14.76
FAIRL Pta	Pta4599	+0.560	4.80
FAIRL SF	SF77.521	+0.002	0.72
FAIRL SKr	SKr205.75	+0.029	3.00
FAIRL U.S.$	$84.057	+0.008	4.68
FAIRL Yen	Y10114.06	—	0.00
FAIRL Man £	£28.472	+0.014	4.90
FAIRL Man DM	DM57.463	+0.079	2.08
FAIRL Man $	$31.878	+0.003	3.39
FAIRL Man Int	$20.748	-0.008	3.01

Five Arrows Currency Fund Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 · 3531 407 2000
Murray Global Accumulation Fund Plc

	Init Charge	Selling Price	+or-	Yield Grs
Murray Franciscan Bond	2	105.58	+0.08	8.57
US Dollar Franciscan Bond	2	$1.0058	+0.005	—

Odey Asset Management Ltd
60 Harcourt Street, Dublin 2 · 00 3531 730 2400

	Selling Price	+or-	Yield Grs
Odey European Gth Inc.	DM185.06	—	—
Odey European Gth Acc.	DM185.74	—	—
Odey European Gth Inc.	$88.37	—	—
Odey European Gth Acc.	$88.61	—	—

Old Mutual International Fd Mngrs Ltd (x)
50 Dawson Street, Dublin 2, Ireland · 00 353 1 6621555

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+or-	Yield Gross
Umbrella Fund Inc.	$12.81	13.38	—	0.00
Pacific Emerging 94 A	$88.04		—	0.00
Pacific Emerging 94 B	$88.82		—	0.00
Latin America	$9.00		+0.04	0.00
Taiwan Fund NAV	$13.82		+0.18	0.00

Berkshire KITC Growth Fund Plc
NAV · 35.62 · -0.42 · –

Berkshire Korea Fund Plc
NAV · $1.59 · -0.21 · –

Blackstone Franks Managers Ireland Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

	Selling Price	+or -	Yield Gr's
Global Cap Portfolio	$3.860	+0.008	-
United States Portfolio	[illegible]	-0.017	-
Contl Europe Portfolio	DM7.809	+0.120	-
Japan Portfolio	[illegible]	-0.004	-
Pacific Portfolio	[illegible]	+0.025	-
Gold Portfolio	$5.846	-0.051	-
UK Growth of Income	£2.240	+0.013	3.61
Dollar Portfolio	$1.847	-	7.03
Sterling Portfolio	£1.085	+0.001	6.30

Aetna Master Fund (d) (x)

21 Avenue de la Liberté, L-1931, Lux 00 352 2954 641

	Selling Price	+or -	Yield Gr's
Australasian NAV	A$17.13	+0.03	-
Austrian Nat NAV	Sch65.99	-0.26	-
Benelux NAV	BFr896.65	+3.17	-
Dutch Nat NAV	Dfl47.08	+0.64	-
French Nat NAV	FFr149.06	+2.39	-
German Nat NAV	DM21.39	+0.20	-
Hongkong Nat NAV	HK$126.22	-0.38	-
Italian Nat NAV	L13759	+157	-
Japanese Nat NAV	Y1149	-14	-
Spanish Nat NAV	Pta1551	+10	-
UK Nat NAV	£11.17	+0.06	-
United States Dlr Fun	$11.14	-	-

Prices quoted are "A" shares

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 404646211

Fleming Group - Contd.

Midland Intl Circuit Fund SICAV(u)

Aetna International Umbrella Fund (u)

Credit Commercial de France

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation - Contd.

Eagle Star Int'l Life

LUXEMBOURG (REGULATED)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International - Contd.				
Banker Managed Funds				
£ DFS Global Port	£1.365	1.468	—	-
£ YRA Worldwide	£1.283	1.378	—	-
$ YRA Dlr Worldwide	$1.472	1.583	—	-
Young & Co Global P'folio	$1.273	1.369	—	-
Pioneer Mid Term App	$1.162	1.250	—	-
Pioneer Long Term Cons	$1.142	1.228	—	-
Pioneer Long Term App	$0.950	1.022	—	-
HFP Selective Mgd	$1.220	1.311	—	-
Old Mutual International (Ireland) Ltd				
PO Box 121, St Peter Port, Guernsey 01481 726726				
Emerging Markets Bond	$1.370	1.473	—	-
US$ Emerging Stockmarket	$0.928	0.997	—	-
US$ European Stockmarket	$1.306	1.404	—	-
DEM European Stockmarket	DM1.597	1.718	—	-
US$ Managed Currency	$0.930	1.000	—	-
DEM Managed Currency	DM0.930	1.000	—	-
Sterling Managed Currency	£0.930	1.000	—	-
US$ Intl Fixed Interest	$1.054	1.133	—	-
DEM Intl Fixed Interest	DM1.077	1.158	—	-
Sterling Intl Fixed Interest	£1.042	1.121	—	-
US$ Managed	$1.121	1.206	—	-
DEM Managed	DM1.198	1.289	—	-
Sterling Managed	£0.948	1.019	—	-
US$ Intl Stockmarket	$1.116	1.200	—	-
DEM Intl Stockmarket	DM1.150	1.237	—	-
Sterling Intl Stockmarket	£1.006	1.081	—	-
US$ Special Market	$0.845	0.909	—	-
DEM Special Market	DM0.930	1.000	—	-
Sterling Special Market	£0.848	0.911	—	-

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Asset Management				
AXA Valeurs	FFr183.372		—	-
AXA Europe Actions Cap.	FFr359.995		—	-
AXA Europe Actions Dist.	FFr354.990		—	-
AXA MFI Cap	FFr154.786		—	-
AXA MFI Dist	FFr162.368		—	-
Ability Fund Limited				
Fixed Income USD Class			—	-
Fixed Income DM Class			—	-
Acciones y Valores de Mexico SA de CV				
Accival Apr 2	Pesos92.85		—	-
Africa Emerging Markets Fund				
NAV Mar 27	$15.5996		—	-
Agribusiness Fund Management Co				
ABC Bond	$10.00		—	-
Citrust	$7.17		—	-
Alliance Capital				
ACM Research Class I (DED)	$1096.51		—	-
ACM Trade Arbitrage (DED)	$1140.44		—	-
Allied Dunbar International Fund Mngrs (1000)F				
ADI Emerging Asia	$0.6832	0.7303	-0.0022	0
Alekta Capital Management Ltd				
Alekta Growth Fund and Unit Trust				
Class A	$100.09	103.79	—	-
Class B	$97.59	100.61	—	-
Alpha Fund Management Ltd				
Alpha Europe Feb 28	Ecu290.37		—	-
Alpha Futures Feb 28	$258.52		—	-
Alpha Global Feb 28	$7112.39		—	-
Alpha Atlas Jan 31	$109.69		—	-

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

● MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following Investment Trusts are not eligible for inclusion in any FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
R Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

FTSE 100 moves back over the 4,300 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A strong push by the utilities stocks came to the rescue of a London equity market which had at first looked destined for another day of inactivity.

Utilities occupied the top six places in the FTSE 100 performance table and provided no less than six of the best performing stocks in the FTSE 250.

The surge in the stocks came after a report of a rift between Mr Tony Blair, the Labour leader, and Mr Gordon Brown, shadow chancellor of the exchequer, over the scope and size of the proposed windfall profits tax on the companies.

Outside that area, the stock market was quietly steady, unsettled initially by Wall Street's overnight retreat, which confirmed the fears of the more cautious observers that the US market might have seen the end of its recent rally.

The Dow Jones Industrial Average closed 45 points down on Wednesday evening and was looking easier again at the start of trading in New York yesterday, after the weekly jobless claims and ahead of today's news on producer prices and retail sales for March. Fears abound that the US Federal Reserve might nudge US interest rates up again after the next FOMC meeting, scheduled for May 20.

On the domestic front, the regular monthly meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, took place in Nottingham. Dealers said no change in UK interest rates is expected to follow the meeting but warned that UK rates are expected to be increased by as much as 50 basis points shortly after the general election on May 1.

By the close the FTSE 100 index had comfortably regained the 4,300 level, finishing a net 20.9 higher at 4,313.2, a two-day gain of 43.9. The FTSE 250 improved at a more sedate pace, edging up 4.7 to 4,544.3, while the SmallCap lifted 4.7 to 2,295.6.

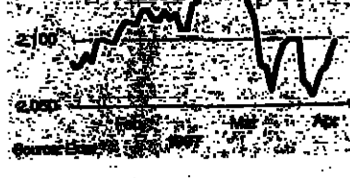
Unhappily for the City's marketmakers and dealers the gains in share prices were not accompanied by any meaningful upturn in retail business, that is, from commission-paying institutions. Turnover yesterday was 701m shares, split evenly between FTSE 100 and other stocks.

The market's rise, senior traders said, had been exaggerated by the first signs of some forced buying by fund managers still running substantial underweight positions in UK stocks. Vague rumours of a bid in the food manufacturing sector were viewed as unlikely.

In a general review of European equity markets, BZW's strategy team said: "UK equities are cheaper than the northern continental European markets, against both earnings and bonds." But the team expressed concern about loose inflation targeting policy.

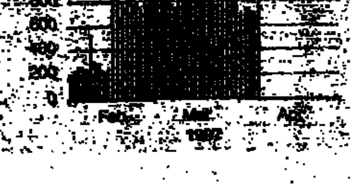
The broker added that "until the economy, particularly the service sector, is seen to slow or the inflation targeting policy mix changes, the market should be on an underweight. Off current valuations, however, we would be looking to increase this."

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FTSE 100	4313.2	+20.9	FT 30	2853.4	+5.4
FTSE 250	4544.3	+4.7	FTSE Non-Fins p/e	18.28	18.21
FTSE 350	2125.1	+8.5	FTSE100 Fut Jun	4323.0	+20.0
FTSE All-Share	2095.70	+8.14	10 yr Gilt yield	7.68	7.65
FTSE All-Share yield	3.65	3.66	Long gilt/equity yld ratio	2.10	2.09

Best performing sectors

1 Water ... +2.5
2 Electricity ... +2.1
3 Alcoholic Beverages ... +1.6
4 Gas Distribution ... +1.5
5 Utilities ... +1.4

Worst performing sectors

1 Tobacco ... −1.0
2 Chemicals ... −0.8
3 Engineering: Vehicles ... −0.5
4 Electronic & Elec ... −0.5
5 Building Mats ... −0.4

Utilities race higher

By Peter John, Joel Kibazo and Gary Mead

Utility stocks led the market higher on optimism about the level of a Labour windfall tax, a couple of broker recommendations and a significant shortage of available stock.

One news report said Mr Tony Blair, the Labour leader, wanted the overall amount raised by a one-off tax to be no greater than £5bn. This was seen as effectively putting a cap on the tax which some analysts had previously forecast as coming in up to £10bn.

More cautious sector specialists pointed out, however, that Mr Gordon Brown, the shadow chancellor, maintained a far higher target range.

But several senior fund managers were apparently sufficiently enthused by the report to pile into leading power and water stocks.

And their optimism was helped by recommendations from several brokers – most recently NatWest Securities and Schroders. Recommendations have given a big boost to a number of stocks over the past few weeks. For example, United Utilities has leapt more than 10 per cent since the end of March.

And buying during a time when marketmakers are nervous about carrying too much stock has created severe shortages and is exaggerating share price moves.

Yesterday, United Utilities gained 26½ to 670p, PowerGen 22 to 633½p, Scottish Power 12½ to 383p, Severn Trent 17½ to 736½ and National Power 12½ to 527p.

BT, which may be exempted from the windfall tax, gained 9 to 442½p on speculation that Spain's Telefónica de Espana may choose MCI Communications as a US partner. SGST and SBC Warburg were also said to have repeated strong "buy" advice on the shares.

BAT Industries dipped on further disappointing news about tobacco sales in the US.

A US judge restated an investors' lawsuit against Philip Morris that claims the company hid negative information about smoking from investors.

BAT shares fell 6½ to 510p, having fallen 11 per cent since mid-March when Liggett, a US rival, became the first tobacco company to admit smoking was addictive and could cause cancer.

Glaxo Wellcome sparked 20 higher to £11.08½p on upbeat news about Phase III trials of its Lamivudine drug. Glaxo said the trial was "extremely encouraging".

Analysts forecast Lamivudine, which treats chronically affected hepatitis-B sufferers, could bring annual sales of between $300m and $500m from launch.

Lamivudine has been the subject of study in several clinical trials for patients who require a liver transplant as a result of chronic hepatitis-B infection.

Further estimates on the drug's sales prospects range from around £200m a year to over £1bn.

Buyers returned to Smiths Industries yesterday, helping the shares bounce 5 to 790p. The group reported improved first-half profits on Wednesday but saw the shares decline as a large investor decided to take profits in the stock.

However, analysts remain positive on the shares and yesterday NatWest Securities urged investors to "add" to holdings saying, while medical systems is expected to grow profits by some 21 per cent over the next three years, it is aerospace that will become the principal source of the forecast 13 per cent growth in compound earnings.

A two-way pull in engineering group FKI left the shares ½ lighter at 186½p. UBS issued a buy recommendation on the stock. In a detailed note to clients, the broker said: "The current year P/E (price earnings ratio) relative of 77 undervalues the group's prospects relative to its peers. Our short-term targets is a P/E relative of 90-95, giving upside of 20-25 per cent, even before probable bolt-ons and non-core disposals."

Analysts and market specialists dismissed vague market talk of Associated British Foods bidding for sweeteners group Tate & Lyle. One analyst said simply: "Such talk is rubbish. Anyway, I can't see one group being allowed to control such a large part of the British sugar sector."

Shares in the former closed 1¼ lighter at 528p on the talk while the latter improved 8 to 444p.

Anglo-Dutch giant Unilever rose 25 to 1559p, with SBC Warburg said to have recommended the stock. It is thought the broker told clients that tax changes proposed by the Labour party should benefit Unilever if Labour wins the British general election on May 1.

Building stocks did not participate fully in the market's upsurge, especially the housebuilders, which continued to suffer from fears that the new government may reduce sharply or even scrap mortgage interest tax relief. Among the leading housebuilders, Persimmon eased 3 to 225½p and Wimpey dipped 2 to 134½p.

RMC, the building materials group, gave a muted response to preliminary results that included a change in accounting policy. The 4 per cent increase in the dividend was well received and initially saw the shares rise sharply. But profit-takers moved in to leave the shares a net 4½ easier at 996½p.

Mercury Asset Management rose after a recommendation from Dresdner Kleinwort Benson. The stock was up 19½ at £12.74p.

Next hit a record closing high, rising 12½ to 645p after a week in which it has benefited from strong results from fashion retailers. The stock rose earlier in the week on figures from rival Oasis Stores and other signs of strength in the sector. Oasis was up 1p at 408p.

French Connection, whose shares raced up earlier this week on the coat tails of the other big fashion retailers, dipped 20 to 325p, despite almost doubled profits and a 37 per cent increase in the dividend.

Laird jumped to its highest level in more than four months after Merrill Lynch issued a hefty "buy" note on the stock.

The shares were up 13 to 411½p. Merrill raised its recommendation to "buy" from "neutral" and forecast 1997 profits of £69.1m, and 1998 and 1999 profits of £79m and £90m respectively.

Prudential, which is acquiring 29.9 per cent in St James's Place, the life assurance group, improved 4½ to 568½p. There had been some speculation that the Pru would launch a takeover after a 12-month moratorium on further stake-buying expires. But Sir Peter Davis, the chief executive, said the group did not intend to increase its stake. St James's Place rose 5 to 136½p.

FT 30 INDEX

	Apr 10	Apr 9	Apr 8	Apr 7	Apr 4	Yr ago	*High	*Low
FT 30	2853.4	2848.0	2842.4	2838.8	2817.4	2804.4	2931.4	2668.8
Ord. div. yield	3.90	3.90	3.92	3.92	3.95	3.86	4.22	3.76
P/E ratio net	17.03	17.00	16.94	16.93	16.82	16.85	18.09	15.80
P/E ratio nil	16.86	16.83	16.77	16.76	16.65	16.60	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97: low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2844.7	2839.6	2844.1	2848.0	2851.9	2851.4	2848.1	2847.4	2848.3	2853.7	2837.3

	Apr 10	Apr 9	Apr 8	Apr 7	Apr 4	Yr ago
SEAQ bargains	39,483	40,724	42,078	53,704	62,681	33,395
Equity turnover (£m)†	–	NA	1918.9	2112.6	3282.5	2579.0
Equity bargains†	–	NA	42,377	57,524	56,164	38,468
Shares traded (m)†	–	NA	894.5	857.6	707.7	871.8

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 10	Apr 9	Apr 8	Apr 7	Apr 4	Yr ago	*High	*Low
FTSE AIM	1089.3	1091.5	1090.2	1086.2	1088.9	997.5	1140.4	965.7

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	539	Total Highs	39	Total contracts	34,704
Total Falls	677	Total Lows	53	Calls	17,194
Same	1,200			Puts	17,510

Apr 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4293.0	4323.0	+20.0	4335.0	4283.0	11787	60776
Sep	4342.0	4349.0	+21.0	4342.0	4342.0	100	2695

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4550.0	4548.0	-18.0	4550.0	4548.0	121	4928

FTSE 100 INDEX OPTION (LIFFE) (*4306) £10 per full index point

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	Low	Stock	Close price p
§100	F.P.	25.0	100	99	Aurora Inv Trust	100
§100	F.P.	68.5	103½	90	†Avalon Oil	90
	F.P.	757.0	142½	124	Avis Europe	129½
§	F.P.	6.33	44½	41½	†Bickerton	41½
§500	F.P.	124.3	620	580	Cambridge Antibody	570
§40	F.P.	13.2	65	55	†Charlton Athltc	60½
	F.P.	38.0	95	95	Close Bros Pr VCT	95
§	F.P.	59.5	335	290	Diagonal	321½
§	F.P.	10.8	72½	70½	Donatantonio	721½
§175	F.P.	66.2	210½	175	Harvey Nash	201½
§175	F.P.	25.9	212½	198	Heal's	212½
§100	F.P.	18.8	130½	114½	Helphire Group	115
100	F.P.	35.9	102½	92½	Murray VCT 2	102½
§135	F.P.	194.8	144½	135	Newcastle Utd	136
	F.P.	4.75	95	95	Oxford Tech Vent	95
§17	F.P.	4.01	50½	17½	Pathfinder Props	37½
§	F.P.	3.15	3	2½	†Prestbury Leisur	2½
§	F.P.	19.3	122½	115½	†Q Group	115½
–	F.P.	39.5	15½	12½	†Sibir Energy	15½
–	F.P.	12.4	107½	107½	†Torch Hldgs	107½
–	F.P.	72.2	61½	59	Utd Overseas Grp	60½
	F.P.	22.6	147½	143½	Whitehead Mann	145½
§	F.P.	–	177	177	Worldsec	177
§	F.P.	40.5	188	188	†World Telecom	188

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 9	% chg on day	Apr 8	Year ago	Gross yield		52 week High	Low
Gold Mines Index (32)	1595.04	−0.9	1609.16	2336.63	2.10	–	2362.86	1595.04
Regional Indices								
Africa (14)	1916.39	−0.6	1932.36	3033.16	4.67	30.29	3197.52	1886.55
Australasia (6)	1888.33	+1.2	1865.49	2674.46	2.84	20.52	2844.14	1850.86
North America (12)	1469.64	−1.3	1489.47	2089.95	0.91	57.34	2134.81	1469.64

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 10	Day's chge%	Apr 9	Apr 8	Apr 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4313.2	+0.5	4292.3	4269.3	4271.7	3744.2	3.74	2.06	16.19	53.72	1826.89
FTSE 250	4544.3	+0.1	4539.6	4518.7	4518.4	4390.5	3.53	1.54	23.01	45.15	1881.10
FTSE 250 ex IT	4587.2	+0.1	4581.5	4560.0	4560.2	4423.6	3.62	1.57	22.07	46.19	1903.71
FTSE 350	2125.1	+0.4	2116.6	2105.5	2106.4	1887.4	3.70	1.96	17.25	25.35	1838.04
FTSE 350 Higher Yield	2054.6	+0.7	2041.2	2033.0	2034.9	1822.3	4.80	1.83	14.21	29.29	1502.76
FTSE 350 Lower Yield	2202.0	+0.2	2198.6	2184.6	2184.3	1959.9	2.58	2.20	22.03	21.10	1561.58
FTSE SmallCap	2295.62	+0.2	2290.93	2286.38	2284.27	2117.68	3.04	1.67	24.58	18.90	1933.70
FTSE SmallCap ex IT	2307.96	+0.3	2302.16	2298.37	2296.84	2104.26	3.22	1.75	22.17	19.89	1959.10
FTSE All-Share	2095.70	+0.4	2087.56	2077.19	2077.88	1866.45	3.65	1.94	17.66	24.39	1839.53

FTSE Actuaries Industry Sectors

	Apr 10	Day's chge%	Apr 9	Apr 8	Apr 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4039.33	+0.4	4022.28	3982.18	3969.90	3461.42	3.69	2.15	15.77	30.55	1783.89
12 Extractive Industries(5)	4048.80	+0.8	4016.85	4024.02	4049.13	4374.06	3.89	2.39	13.47	96.06	1234.93
15 Oil, Integrated(3)	4160.71	+0.4	4135.12	4082.04	4066.40	3501.83	3.91	2.11	15.16	20.17	1878.51
16 Oil Exploration & Prod(12)	3500.77	+0.4	3488.46	3486.50	3455.46	2490.21	1.65	2.19	34.59	34.64	2142.77
20 GEN INDUSTRIALS(270)	1990.00	−0.2	1994.72	1991.88	1996.10	2105.87	4.01	1.88	16.60	22.48	1125.89
21 Building & Construction(35)	1322.49	......	1322.22	1329.86	1334.25	1176.46	3.24	1.90	20.28	16.21	1142.92
22 Building Matls & Merchs(31)	1873.55	−0.4	1881.68	1863.75	1854.32	1920.46	4.28	2.77	10.53	19.96	978.73
23 Chemicals(26)	2284.39	−0.8	2302.99	2292.24	2271.81	2530.94	4.60	1.59	17.16	37.99	1127.26
24 Diversified Industrials(16)	1477.25	+0.2	1473.90	1473.55	1477.96	1764.70	4.89	1.82	14.05	27.90	869.99
25 Electronic & Elect Equip(38)	2186.10	−0.5	2196.00	2203.27	2225.24	2403.86	3.61	1.55	22.37	7.34	1164.85
26 Engineering(70)	2581.39	......	2581.27	2586.50	2607.51	2418.93	3.27	2.44	15.65	21.75	1610.63
27 Engineering, Vehicles(13)	2883.87	−0.5	2899.53	2886.26	2874.86	2960.56	3.86	‡	‡	25.91	1536.66
28 Paper, Pckg & Printing(27)	2488.77	−0.3	2497.41	2490.05	2502.63	2760.17	4.20	1.68	15.61	37.43	1077.38
29 Textiles & Apparel(14)	1100.41	+0.2	1098.46	1088.66	1077.46	1485.56	6.40	0.97	20.03	7.37	701.01
30 CONSUMER GOODS(84)	4172.51	+0.8	4138.19	4104.22	4107.96	3412.45	3.63	1.82	18.89	72.87	1605.88
32 Alcoholic Beverages(7)	2938.22	+1.6	2888.97	2878.54	2887.70	2752.32	4.47	1.89	14.80	62.25	1111.49
33 Food Producers(25)	2872.72	+0.9	2847.81	2833.33	2843.29	2462.16	3.84	1.86	17.46	44.27	1350.24
34 Household Goods(17)	2828.82	−0.4	2839.32	2826.23	2837.28	2605.21	3.65	2.31	14.82	49.63	1161.30
36 Health Care(15)	2248.63	+1.3	2217.64	2189.94	2173.86	1927.56	2.84	1.63	28.83	13.35	1396.52
37 Pharmaceuticals(18)	6555.18	+1.0	6490.52	6396.46	6407.37	4778.56	2.80	1.72	25.92	94.85	2297.71
38 Tobacco(2)	4275.50	−1.0	4319.13	4362.16	4324.06	4180.38	6.83	1.89	10.44	147.58	1138.08
40 SERVICES(273)	2621.93	+0.1	2618.35	2609.88	2618.07	2460.74	2.96	1.97	21.51	21.22	1401.63
41 Distributors(30)	2660.40	+0.6	2645.61	2645.19	2645.28	2794.63	3.44	1.94	18.71	29.19	1011.12
42 Leisure & Hotels(31)	3445.96	......	3445.21	3440.40	3471.83	3099.90	2.64	1.74	27.24	56.16	1905.50
43 Media(44)	4208.56	......	4207.51	4179.91	4224.63	4213.48	2.39	1.99	26.97	43.94	1557.36
44 Retailers, Food(15)	2030.58	+0.5	2019.61	2027.50	2000.15	1927.87	3.97	2.30	13.72	6.46	1326.43
45 Retailers, General(53)	2062.14	......	2061.36	2052.77	2062.57	2021.33	3.23	2.04	19.04	13.34	1212.41
47 Breweries, Pubs & Rest.(22)	3305.92	......	3306.58	3291.65	3298.00	3028.09	3.29	2.10	18.11	17.33	1630.90
48 Support Services(56)	2863.27	−0.1	2865.47	2857.45	2852.73	2190.73	1.84	2.61	25.97	8.26	1853.64
49 Transport(22)	2758.78	+0.5	2743.98	2736.44	2737.82	2412.81	3.53	1.26	28.08	27.18	1189.95
60 UTILITIES(32)	2747.18	+1.4	2708.11	2696.77	2700.12	2549.93	4.85	1.54	16.69	5.34	1248.50
62 Electricity(9)	2979.71	+2.1	2919.24	2892.22	2896.55	2777.03	5.70	2.22	9.88	22.08	1645.81
64 Gas Distribution(2)	1606.54	+1.5	1582.99	1606.54	1606.54	1613.60	7.59	‡	‡	0.00	879.06
66 Telecommunications(9)	2287.70	+0.8	2268.44	2260.23	2264.05	2151.88	3.83	1.70	20.21	0.38	1080.17
68 Water(12)	2550.26	+2.5	2488.76	2462.02	2462.12	2157.25	5.84	2.33	9.18	0.00	1474.99
69 NON-FINANCIALS(679)	2158.75	+0.4	2147.44	2136.76	2139.72	1992.57	3.67	1.86	18.28	21.43	1697.88
70 FINANCIALS(106)	3803.58	+0.3	3791.75	3771.95	3759.96	2837.15	3.77	2.32	14.28	72.46	1710.30
71 Banks, Retail(8)	5560.93	+0.2	5547.15	5509.16	5471.34	3921.53	3.60	2.65	13.13	122.52	1801.45
73 Insurance(16)	1650.83	+0.6	1641.09	1636.78	1637.75	1382.04	5.22	2.31	10.39	37.26	1306.74
74 Life Assurance(7)	4504.70	+0.7	4475.22	4453.28	4481.30	3589.02	3.91	1.76	18.12	84.00	1951.65
77 Other Financial(25)	3070.58	+0.2	3063.91	3073.34	3082.81	2566.84	3.39	1.91	19.33	27.85	1810.61
79 Property(44)	1871.44	+0.1	1869.47	1859.39	1854.18	1473.09	3.42	1.30	28.21	9.76	1189.08
80 INVESTMENT TRUSTS(127)	3238.77	−0.1	3243.39	3232.94	3228.30	3166.89	2.26	1.13	49.02	21.04	1154.58
89 FTSE All-Share(912)	2095.70	+0.4	2087.56	2077.19	2077.88	1866.45	3.65	1.94	17.66	24.39	1839.53
FTSE Fledgling	1299.95	......	1299.42	1296.71	1294.91	1180.30	3.02	0.75	55.39	9.40	1393.05
FTSE Fledgling ex IT	1323.54	+0.1	1322.70	1319.79	1317.99	1182.62	3.31	0.71	53.19	10.02	1421.05

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4287.8	4281.4	4292.0	4301.1	4309.8	4308.8	4305.3	4305.4	4306.2	4313.2	4278.7
FTSE 250	4537.3	4539.7	4540.6	4540.1	4541.3	4541.7	4542.7	4542.3	4543.9	4544.3	4537.3
FTSE 350	2114.6	2112.3	2116.5	2120.0	2123.6	2123.2	2121.9	2121.9	2122.4	2125.1	2111.2

Time of FTSE 100 Day's high: 4:30 PM Day's low: 9:03 AM. FTSE 100 1996/97 High: 4444.3 (11/03/97) Low: 4056.6 (10/01/97).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1227.0	1224.0	1222.1	1221.6	1223.0	1222.7	1224.2	1225.9	1227.3	1227.3	1228.3	−1.0
Pharmaceuticals	6417.5	6412.7	6483.1	6486.8	6511.7	6507.3	6499.3	6496.8	6483.4	6473.6	6409.3	+64.3
Water	2481.3	2521.3	2527.2	2529.7	2543.7	2549.4	2548.8	2544.3	2541.3	2546.2	2482.9	+63.3
Banks, Retail	5603.1	5582.5	5587.4	5598.2	5602.8	5594.9	5592.4	5602.2	5615.6	5631.9	5617.9	+14.0

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Kendell (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 10 / Sch)

BELGIUM/LUXEMBOURG (Apr 10 / Frs.)

CZECH REP (Apr 10 / Koruna)

DENMARK (Apr 10 / Kr)

FINLAND (Apr 10 / Mkka)

FRANCE (Apr 10 / Frs.)

GERMANY (Apr 10 / Dm.)

GREECE (Apr 10 / Drachmae)

ITALY (Apr 10 / Lire)

NETHERLANDS (Apr 10 / Fls.)

NORWAY (Apr 10 / Kroner)

POLAND (Apr 10 / Zloty)

PORTUGAL (Apr 10 / Escudo)

SPAIN (Apr 10 / Pts.)

SWEDEN (Apr 10 / Kronor)

SWITZERLAND (Apr 10 / Frs.)

TURKEY (Apr 10 / Tk Lira)

PACIFIC

JAPAN (Apr 10 / Yen)

AUSTRALIA (Apr 10 / Aust$)

HONG KONG (Apr 10 / H K $)

INDONESIA (Apr 10 / Rupiah)

MALAYSIA (Apr 10 / MYR)

NEW ZEALAND (Apr 10 / NZ $)

SINGAPORE (Apr 10 / S$)

SOUTH KOREA (Apr 10 / Won)

TAIWAN (Apr 10 / TW $)

THAILAND (Apr 10 / Baht)

AFRICA

SOUTH AFRICA (Apr 10 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 10 / Can $)
4 pm close

MONTREAL (Apr 10 / Can $)
4 pm close

Prices supplied by Telekurs, part of FT Information

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Apr	2603.0	2606.0	-14.0	2618.0	2593.0	10,499	25,064
May	2587.5	2591.5	-14.0	2596.5	2586.0	816	3,679
■ DAX							
Jun	3371.0	3362.5	-17.0	3377.0	3340.0	17,034	-
Sep	3381.0	3387.0	-18.0	3398.5	3389.5	63	-
■ OMX							
Apr	2058.00	2084.00	+22.00	2087.00	2054.00	6,499	23,479
May	2072.00	2072.00	+18.00	2072.00	2072.00	20	976
■ SOFFEX							
Apr	4611.9	4634.0	-4.0	4655.0	4596.0	5,299	27,712
May	-	4610.4	-4.1	-	-	59	2,605

** Sat Apr 5 : Taiwan Weighted Price (x); Korea Comp Ex 687.42. Base values of all indices are 100 except: Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Apr 10 - 3352.58 -12.16.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 9	Apr 8	Apr 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6563.84	6609.16	6555.91	7085.16 (11/3)	6442.49 (2/1)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.45	101.62	101.83	103.63 (19/2)	101.45 (9/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2432.29	2425.82	2427.36	2469.59 (18/3)	2222.07 (2/1)	2469.59 (18/3/97)	13.23 (8/7/32)
Utilities	214.08	214.22	214.64	240.85 (22/1)	214.08 (9/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6662.41 (6638.62) Low 6521.16 (6491.71) (Theoretical♦)
Day's high 6638.00 (6608.64) Low 6548.09 (6520.03) (Actual♦)

Standard and Poors	Apr 9	Apr 8	Apr 7	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	760.60	766.12	762.13	818.29 (18/2)	737.01 (2/1)	818.29 (18/2/97)	4.40 (1/6/32)
Industrials¥	891.66	897.53	894.53	950.96 (18/2)	866.92 (2/1)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	86.63	87.81	86.27	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	400.29	402.31	400.68	427.70 (10/3)	399.53 (2/1)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	562.98	561.42	560.44	603.63 (10/3)	556.73 (4/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1249.43	1257.37	1251.35	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 4	Mar 21	Mar 14	Year ago
Dow Jones Ind. Div. Yield	1.97	1.89	1.95	2.11
	Apr 9	Apr 2	Mar 26	Year ago
S & P Ind. Div. yield	1.83	1.86	1.77	1.92
S & P Ind. P/E ratio	21.72	21.45	22.54	20.83

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Merck	8,364,900	81½	-3¾
Seagate	6,263,900	49½	-2
ColumbiaHCA	5,523,500	31¼	-1
Micron Tc	4,253,000	41¼	-1
Reading Bt	3,779,800	23⅝	+⅛
Pfizer	3,647,400	84	-2
Bristol My	3,626,600	59⅜	-2⅝
Nike B	3,387,400	58¾	+1⅛
Ford Mtr	3,351,800	32⅝	+⅛
Cispolnt	3,348,400	11¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 9	Apr 8	Apr 7
New York SE	454.648	448.855	453.420
Amex	19.422	16.362	18.282
NASDAQ	574.434	532.227	577.788
NYSE			
Issues Traded	3,300	3,298	3,301
Rises	1,271	1,347	1,721
Falls	1,212	1,115	774
Unchanged	817	837	806
New Highs	53	51	56
New Lows	39	60	48

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	765.45	765.70	+0.10	766.20	764.10	73,990	179,854
Sep	773.00	773.50	+0.10	773.80	772.60	409	4,763
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
■ Nikkei 225							
Jun	17890.0	17490.0	-220.0	17970.0	17480.0	28,122	224,692
Sep	17830.0	17830.0	-120.0	17830.0	17830.0	22	2,747

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 10, 1997.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	22.3m	190	+22	Nippon Steel	7.0m	359	-2
NEC	8.7m	1,610	+10	Sakura Bk	6.3m	605	-16
Nomura Sec	8.5m	1,160	-30	Mitsubishi Hvy	6.2m	811	-1
Sumitomo Bk	7.9m	1,190	-60	Daiwa Sec	5.7m	724	+9
Pacific Ind	7.3m	552	-98	Matsushita El Ind	5.6m	1,980	+10

4 pm close April 10

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A -								
30½	24¼	AAR	0.48	1.6	23	133	29⅞	29¾	29⅞	-⅛
43	33⅛	AMP	1.04	2.9	27	5170	35⅝	35	35⅝	+⅝
90⅜	78¼	AMR			6	2489	85⅜	84⅛	84¼	-⅞
37⅝	33¼	ASA	1.20	3.5	22	433	34⅜	33½	34¼	+½
60½	49¾	AbbtL	1.08	1.9	23	7522	57⅛	55⅜	56⅝	+1¼
17½	14⅞	Abitibi Pr	0.40	2.8	7	384	14⅝	14⅜	14½	
19¾	17⅜	ABN Ind	0.40	2.2	16	144	18½	18	18	-⅛
23	18	Acpncein			9	180	18⅝	18¼	18⅝	+½
68⅜	55⅛	ACE Ltd x	0.72	1.2	10	263	60⅞	60¼	60½	-¼
10⅜	10	ACM Gvt In x	0.90	8.9	11	258	10⅛	d10	10⅛	
7⅝	7	ACM GvOpp x	0.63	8.5		70	7⅜	7¼	7⅜	
9⅞	9¼	ACM Man x	0.90	9.4		127	9⅝	9½	9⅝	+⅛
10⅜	6¼	Acme Elect				21	6½	6⅜	6½	
20	14⅝	Acme Mts			64	30	14⅞	14¾	14¾	-⅛
33	27¼	Acordia	0.80	2.5	15	96	32⅛	31¾	31⅞	-⅛
29¾	21¼	Acuson				972	22⅛	21⅝	21⅞	-⅜
21	19⅜	Adams Expr	0.55	2.7	1	169	20¼	20⅛	20¼	
48½	24⅞	AdvMic				18243	41½	39⅝	39⅝	-1⅞
15	10⅜	Advest Grp x	0.03	0.2	10	148	13¾	13⅜	13¾	+⅜
14⅝	11⅜	Advo Inc			28	112	12¼	12⅛	12¼	+¼
73⅝	61⅛	Aegon	1.45	2.2	19	67	67½	66¾	66⅞	-¾
5⅛	3⅛	Aerfix				205	3½	3⅜	3½	+¼
67⅝	48	AES Corp				20	60⅛	60⅛	60⅛	+⅛
93⅜	73	Aetna	0.80	0.9	63	3325	87⅝	85	86⅛	+¾
43½	37½	Aflac	0.40	1.0	14	941	40⅜	40¼	40¼	-⅛
21⅝	18⅜	AGL Res	1.08	5.6	14	294	19⅜	18⅞	19¼	+⅛
45¼	32	Ahmnsn	0.88	2.4	28	7833	37½	36⅜	37¼	+⅜
77⅝	66⅜	AirPrC x	1.10	1.6	17	1307	68½	67⅛	68¼	+¼
33⅛	22¾	Airtouch Fit	0.30	0.9	25	314	32⅞	32½	32⅝	-⅛

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Continued on next page

4 pm close April 10

NYSE PRICES

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¾	49⅝	SBC Cm x	1.79	3.4	15	10563	52½	51⅛	52	+½
28⅞	24½	Scana Corp	1.51	6.2	11	2055	24⅝	d24⅛	24½	
9	7⅞	SchawkA	0.26	3.2	37	7	8¼	8⅛	8¼	+⅛
62	49½	SchermRP			34	417	51	50⅝	50½	-¼
82	63½	SchrPl	1.32	1.8	22	6665	73¾	72⅜	72¾	
118⅝	99	Schlmb	1.50	1.4	30	7085	107⅝	105½	105⅝	-2⅛
12⅞	10	Schlr x	0.12	1.2	12	535	10⅜	10⅛	10¼	
42	33⅞	Schwab(C)	0.20	0.6	26	5556	35⅜	33⅞	34½	-1
35⅞	29⅞	SchwMaud	0.60	1.9	13	535	31¾	31¼	31¾	+½
18⅜	14⅝	SciAtl	0.06	0.4	55	1210	15⅛	14⅞	15	-⅛
29⅜	23	Scotman x	0.10	0.4	14	27	28¾	28⅝	28¾	-⅛
13¼	12⅜	ScuddrNAsF	0.03	0.2		286	12½	d12⅜	12⅜	-⅛
15⅞	13⅝	ScuddrNEsF	0.06	0.4		74	14⅞	14¾	14¾	-⅛
18¾	15⅛	SeaCoA	0.77	4.9	13	243	15¾	15⅝	15¾	
16⅞	15⅛	SeaC1.4625	1.46	9.2		20	15⅞	15⅞	15⅞	+¼
58¼	37⅞	S'gate			16	31291	50⅜	48	48½	-1
42¾	37	Seagrm	0.66	1.8		1163	37½	37¼	37½	-⅛
24⅛	17⅝	Seagull En			29	1883	18⅝	d17⅝	17⅝	-1
48	39¾	Sealed Air			27	250	44⅜	44	44¼	+¼
58¾	44⅝	SearsR	0.92	1.9	15	58080	50	47⅛	47¼	-3⅝
25	21	SeCpSBH	1.30	5.7	15	535	23¼	22⅞	23	
12⅞	12⅜	Seligm Sel	0.84	6.6		91	12¾	12⅝	12¾	+⅛
18	14½	Sensormat	0.22	1.3		1221	17½	16⅝	17⅜	+¾
46⅞	36¼	SequaA	0.60	1.3	48	39	46½	45	45	
49⅛	47½	SequaB	0.60	1.1	50	20	47½	d47½	47½	
33⅞	26⅝	ServCp	0.30	0.9	30	3300	33¾	33⅜	33½	
30⅛	24⅝	SvMstr	0.68	2.2	17	1019	u30⅝	29⅝	30½	+1¼
4½	3¼	SoreMerch			7	510	3⅝	d3¼	3¼	-⅛

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	25⅞	Zenith Nat	1.00	3.8	12	57	26½	26¼	26⅜	
7½	7⅛	Zenix Inc	0.73	10.3		135	7¼	d7⅛	7⅛	
23¾	17¾	Zero	0.12	0.6	14	48	18¾	18⅝	18¾	+⅛
11½	10¾	ZweigFd x	1.16	10.4		187	11¼	11⅛	11⅛	
8⅝	8	Zweig Tot x	0.84	9.9		481	8½	8⅜	8½	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close April 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NY TimA	0.60	22	881	43¾	43½	43½	-¼
NVR		7	158	13⅝	13½	13½	-⅛
Pegasus G		80	1000	8	7¾	8	+¼

4 pm close April 10

NASDAQ NATIONAL MARKET

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss x	0.08	106	28	12⅝	11⅝	11¾	-⅛
Kaman Cp x	0.44	12	378	13⅛	12⅞	13⅛	-⅛
Kelly Sv	0.84	13	106	27	d26¼	26¼	-⅜
Kimball x	1.04	15	451	39	38⅜	38⅞	+⅛
KLA Instr		21	27198	45⅜	44	44	-1½
Koll A			697	⅜	d⅜	⅛	
Komag		13	7755	31¾	28⅞	28	-2⅞
Kulicke S			5370	26⅜	25¼	25⅝	-1⅛

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		13	1260	17½	17	17½	
Rallys			115	3¾	3⅝	3⅝	+
Raymond	0.25	14	1223	29½	29⅛	28	+
RCSB Fin	0.60	11	1580	32⅛	31⅛	31½	+
Read-Rite			15927	32½	31½	31	-

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	28899	50⅜	46⅞	46⅞	-3
Xircom		29	1893	17¼	16	16¼	-1⅛
Xoma Corp			1686	5	5	5¼	-
Yellow			2084	20	18¾	19	-¾
York Rsch		16	336	8	7¾	8	+¼
ZionsUtah x	1.76	16	379	117⅞	115¼	115⅝	-2

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.625	-0.25	6750	8.25	7.5	Esprit Telecom ADS	US$10.125	+0.25	12000	12.5	9.75
Artwork Systems	US$10.5		53775	11.375	10.25	Innogenetics	US$12		27125	12.625	10.5
Chemunex	FFr17.5		100500	19	17	Mercer Interntnl	US$9.375	-0.125	0	11.375	9
Dr Solomon's ADS	US$24.375	-1.625	5850	26	20.875	PixTech	US$4.75		0	6.25	4.375

Prices for 10/4/97. Please note that trading prices are currently used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990)

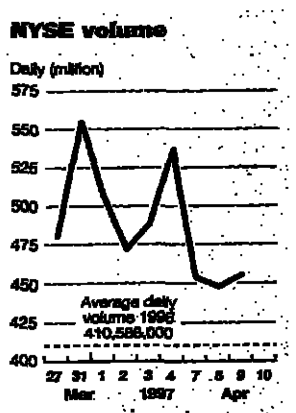
FINANCIAL TIMES Friday April 11 1997

Dow hit by share slide for Sears

AMERICAS

Technology shares continued to slide while blue chips were mostly flat as a number of larger companies reported earnings that were generally in line with expectations, *writes Lisa Bransten in New York.*

After falling for much of February and March, the technology-rich Nasdaq



composite had begun to rebound in April, but yesterday it resumed its downward course. By early afternoon, the Nasdaq was 11.52 lower at 1,237.81, and the Pacific Stock Exchange technology index, which contains Nasdaq and NYSE-traded shares, was off 1 per cent.

At 1pm, the Dow Jones Industrial Average was off 15.48 at 6,548.36 and the Standard & Poor's 500 shed 1.97 at 758.63. NYSE volume was 229m shares.

A sharp drop in Sears Roebuck weighed heavily on the Dow. The retailer fell $3 or 6 per cent at $47¾ after it admitted it had shown "flawed legal judgment" in seeking to collect on credit card debts from debtors who had filed for bankruptcy protection.

Two components of the Dow – General Electric and JP Morgan – reported first-quarter earnings. General Electric lost $¾ at $101¼ on earnings of $1.02 per share, exactly in line with estimates, and JP Morgan lost $¼ at $98⅛ on earnings of $2.04 per share, 12 cents ahead of expectations.

Chrysler was unchanged at $30 after reporting first-quarter earnings of $1.45 per share, a cent ahead of expectations.

Quaker Oats fell $¼ at $38⅝, although it announced that it expected first-quarter results to be modestly better than analysts' forecasts because of strong sales growth in its Gatorade drink. The company forecast first-quarter earnings per share at least equal to the 22 cents made in the same period last year and above the consensus estimate of 18 cents.

Large capitalisation technology shares slumped. Intel lost $4 at $138¾, Microsoft gave up $2¼ at $95⅞, Cisco Systems was $1⅛ weaker at $52¾ and Oracle gave up $1⅛ at $37¼.

TORONTO traded narrowly, adding to the declines of the past two sessions with a 3.01 dip to 5,795.70 on the 300 composite index at the noon calculation.

Golds pushed higher and Alcan Aluminium, hit by base metal price worries recently, staged a modest rally ahead of the announcement of first-quarter results. But most leaders were easier in what dealers described as thin, mostly directionless trade.

There was a flurry among high-tech stocks when PC Docs Group International ran into heavy selling after a severe profits warning. The company predicted third-quarter results down from 19 cents to 2 cents, and the shares tumbled C$1.70 to C$7.05.

Barrick Gold gained 75 cents to C$33 and Placer Dome put on 45 cents to C$24.55. Alcan Aluminium put on 35 cents to C$43.70. Banks were weak. Toronto-Dominion Bank shed 10 cents to C$36.30 and Royal Bank of Canada came off 5 cents to C$53.50. Among conglomerates, Canadian Pacific eased 5 cents to C$32.90.

VW provides driving force for Frankfurt

EUROPE

Leading bourses opted for a defensive mark-down in the face of a softer dollar and with Wall Street continuing to shift about uneasily ahead of today's March producer prices.

FRANKFURT tumbled 20 points on the Dax index at the opening but clawed back part of the downturn after bumper 1996 earnings and upbeat comments from Volkswagen sparked a strong showing for motor stocks.

The shares, which reached a record DM1,000 at one stage, ended DM54.50 or 5.8 per cent better at DM996 after analysts rapidly upgraded profits estimates for this year. Sentiment was also buoyed by renewed talk that the group was planning to reshape its capital structure.

Investor enthusiasm spilled across the sector generally. Daimler-Benz rose 70 pfg to DM130.70 and BMW put on DM37 to DM1,439 to extend its rally to 17 per cent in five days. Porsche added DM23 to DM1,925.

In contrast, the day's other big results announcement – from Dresdner Bank – disappointed with sluggish earnings growth and heavier provisions. Dresdner shed 78 pfg to DM57.92. Deutsche Bank came off 95 pfg to DM89.65 and Commerzbank eased back 48 pfg to DM46.02.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2166.86	2167.17	2168.74	2171.47	2171.87	2170.32	2168.91	2170.14
FTSE Eurotrack 200	2187.51	2191.17	2191.23	2195.12	2194.22	2192.16	2192.42	2193.00

	Apr 9	Apr 7	Apr 4	Apr 3	Apr 1
FTSE Eurotrack 100	2169.11	2147.42	2136.34	2100.19	2095.44
FTSE Eurotrack 200	2192.60	2170.57	2164.76	2130.75	2125.31

Base value 1000 (26/10/90); High/day: 100 - 2172.34; 200 - 2196.21 Low/day: 100 - 2165.74 200 - 2187.51. † Partial.

Adidas unveiled strong first-quarter results and bounced DM3.50 to DM182.50. The results statement coincided with news of a potential widening of liquidity in the shares.

A 26 per cent stake in the company is to change hands, half being taken up by Adidas management and the balance placed with institutions. There was talk that some analysts were set to upgrade their target prices for the stock. Its sports footwear rival, Puma, retreated DM2.20 to DM62.80.

At the close of trading, the Dax index was off 12.18 at an Ibis-indicated 3,352.58.

PARIS nudged down on the CAC-40, ending 9.58 lower at 2,607.97 after another session of below average volume.

Michelin was the day's laggard among leading stocks, sliding FFr10.5 or 3 per cent to FFr336. At the other end of the performance charts, Sanofi rose FFr14 to FFr549.

Synthelabo, the separately listed drugs offshoot of L'Oréal, surged 7.3 per cent to FFr672 following an upgrade to buy by Goldman Sachs. The broker also raised its earnings estimate for this year and was positive about the group's US joint venture, Lorex.

Canal Plus continued to rally on talk of pay-TV deals, gaining FFr25 to FFr1,110 and stretching its gains to almost 10 per cent in five days.

AMSTERDAM ended with the AEX index down 5.22 at 733.47 in spite of solid gains by Unilever and Bols-Wessanen.

BolsWessanen continued to benefit from talk of imminent corporate activity. Some traders said the drinks group was teeing up a separate flotation for its Italian Campari operations; others suggested that an acquisition was in train.

"We hear that Bols is set on buying Hagemeyer's specialty foods business," said one Dutch drinks analyst. Bols shares rose 50 cents to Fl 37.50 to extend their rally to 10 per cent in four days. Hagemeyer eased 40 cents to Fl 160.60 after Ceteco, a 72 per cent-owned unit, announced plans for a share issue.

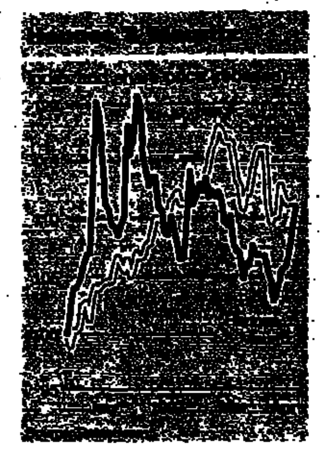
A variety of stories were said to be buzzing around Unilever but the main drive behind a Fl 1.70 rise to Fl 354.8 looked to be positive comment by SBC Warburg. Rumours suggesting that the Anglo-Dutch foods to detergents giant could soon be flexing its acquisition muscles abounded.

Elsewhere among internationals, Royal Dutch added 40 cents to Fl 330.3 while Philips took the day's wooden spoon, slipping Fl 1.90 or 2.1 per cent to Fl 88.

ZURICH edged back at the end of a volatile session which left the SMI index down 8.3 at 4,626.6.

Winterthur, sharply higher on Wednesday on news of a new chief executive, gave back SFr16 to SFr1,083. Mr Kishore Banger at CS First Boston reiterated the buy recommendation that he has maintained on the stock for the last two years. However, he added that the 36 per cent appreciation in the share price since the start of the year had provided investors with the opportunity to take some short-term profits.

CS Group lost SFr1.75 to



SFr166.50 but UBS gained SFr16 to SFr1,287 and Zurich Insurance added SFr5.50 to SFr454 amid reports of switching within the financial sector. Novatris lost SFr14 to SFr1,759 on rumours that a US competitor had launched a new drug which could put pressure on the Swiss group.

MILAN edged down in thin trade as political developments failed to win a vote of confidence from foreign investors. The Comit index edged 0.48 higher to 752.91 while the real-time Mibtel index gave back 76 to 12,002.

Olivetti tumbled L40 to L565.5 ahead of the company's definitive 1996 results, due late next week, and reports that its Telemedia unit would post losses of more than L50bn. Olivetti said, however, that it had already budgeted losses at Telemedia in its 1996 accounts and that such losses were normal with start-ups in the telecommunications and multimedia fields.

Sirti, the cable-making group, jumped L175 to L10,651 on a local press report that Stet's 48.9 per cent stake was to be put on the market by the summer.

STOCKHOLM picked up from the day's lows to close higher, supported by a rebound in Astra. The general index added 9.00 to 2,646.65.

Astra recouped SKr6 to SKr347.5 having lost SKr8 the previous day on news of a downgrade for its US partner, Merck.

The forestry sector tumbled 2.3 per cent after SCA's chief executive said he did not believe that fine paper prices could be raised as planned this spring. SCA gave up SKr2 to SKr160.5.

Hennes & Mauritz jumped SKr48 to SKr1,048 after the fashion retailer said that sales rose 30 per cent in the first quarter of this year. The company added in a statement which coincided with its annual general meeting that the trend in sales and earnings remained positive.

Written and edited by Michael Morgan and Jeffrey Brown

Nippon Credit link enlivens broadly weak Tokyo

ASIA PACIFIC

Bank shares rallied on news of a tie-up between Bankers Trust and the financially troubled Nippon Credit Bank, but profit-taking wiped out early gains leaving Tokyo to close sharply lower, *writes Gwen Robinson.*

The Nikkei 225 average fell 217.62 to 17,485.75 after moving between 17,479.05 and 17,938.59.

The 225 index jumped more than 230 points in early trading on news of the partnership between Bankers Trust and NCB, but rapidly lost steam to finish below the 17,500 point line for the first time since January 27. Nearly 500 issues fell to new lows for the year.

Banks fell broadly on large-lot selling by foreign securities houses, as buying interest dwindled to focus almost exclusively on NCB.

Volume rose from 423m shares to an estimated 497m. Declines overwhelmed advances 908 to 211 with 124 unchanged. The Topix index of all first-section stocks shed 22.57 to 1,320.82 and the capital-weighted Nikkei 300 was off 4.22 at 256.73. In London, the ISE/Nikkei 50 index rose 3.00 to 1,430.74.

NCB shares opened higher on media reports of its tie-up with Bankers Trust. It continued to attract attention and ended Y22 higher at Y190 after briefly rising Y50, its maximum allowable daily gain, to Y218.

Other financial issues, including banks and securities houses, revived temporarily on news of NCB's plans, but fell as foreign investors resumed selling in the afternoon. Sumitomo Bank fell Y60 to Y1,190, Sakura Bank Y16 to Y605 and Bank of Tokyo-Mitsubishi Y70 to Y1,760.

Securities houses were mixed, with some brokers managing to sustain early

gains. Daiwa Securities rose Y9 to Y724 and Nikko Securities Y10 to Y610. Nomura, however, continued to slide, shedding Y30 to Y1,160.

Blue chip exporters rallied temporarily on the dollar's continued climb to the Y127 level, but fell back in the afternoon. Sony shed Y50 to Y9,050 after hitting a new high for 1997 of Y9,200 in earlier trading. TDK fell Y70 to Y9,040 and Canon, Y120 to Y2,820.

Car makers also fell prey to profit-taking, with Honda sliding Y100 to Y3,780 and Toyota, Y70 to Y3,370. Fujitsu fell Y10 to Y1,290 in spite of news that it was expecting to double consolidated net profit for the business year to March.

In Osaka, the OSE average fell 292.11 to 18,603.48 and volume rose to 16.9m shares.

BOMBAY tumbled 1.4 per cent as speculators sold on news that the Congress party had instructed its deputies to vote against the government in today's key confidence vote.

The BSE-30 index dropped 52.51 to 3,598.37 as speculators cut their positions and the exchange announced it would be open for a special session on Saturday in the face of political developments.

The Congress party withdrew its make-or-break support to the coalition government on March 30, citing a drift in the economy and alleged failure to check communalism.

JAKARTA moved lower in spite of a steep rise for Inco following press reports that the mining group planned a share buy-back. The stock jumped Rp700 or 26 per cent to Rp3800 in heavy volume. At the close, the composite index was off 2.66 at 635.55.

MANILA ended seven straight days on the downside by pushing the composite index up 39.72 or 1.4 per cent to 2,949.02 as investors sought property and banking bargains. The seven-session sell-off, sparked by worries about property lending, had taken the leading index down by almost 10 per cent. However, traders said the worst was not yet over. "It's too early to discount the bears. It looks a classic dead cat bounce," said one broker.

Megaworld Properties, hit hard lately by rumours of financial difficulties, recovered 50 centavos to 6.80 pesos.

TAIPEI gave up early gains to close with the weighted index off 71.70 at 8,584.12 and 2 per cent short of the day's high. Turnover stayed heavy at T$197bn.

A central bank call for extra investor caution sparked the late selling. Hsu Chia-tung, central bank governor, warned that Taiwan's stock market turnover and earnings ratio were far higher than in other Asian countries.

SYDNEY closed higher after continued gains for insurance shares but a weaker showing by banks. The All Ordinaries index added 3.7 to 2,392.9. Banks drifted back as investors reacted to government statements ruling out immediate mergers between the major banks. ANZ came off 9 cents to A$7.80 and Commonwealth 6 cents to A$13.04.

Among insurers, National Mutual rose 6 cents to A$1.94. Reinsurance Australia forecast moderate premium growth this year and fell 30 cents to A$3.80 as a result.

HONG KONG turned lower for the first time in four sessions as worries about inflation and the property market resurfaced.

The Hang Seng index lost 67.98 at 12,358.7 in turnover that picked up sharply to HK$8.2bn.

KUALA LUMPUR remained out of sorts, still depressed by the central bank's curbs on property and share buying. The composite index fell 15.89 or 1.4 per cent to 1,147.98.

Mexico City slips back

Leading Latin American bourses edged lower. MEXICO CITY was a fair representation of the morning's trading, moving ahead at the opening bell but quickly receding as dealers cast around for a lead following an upwards jerk for money market rates.

At midsession the IPC index was off 25.85 at 3,771.45. Telmex stayed on the upside, adding 10 centavos to 15.80 pesos following further gains on Wall Street for the ADRs. But media group Televisa had a bad morning, diving 1.30 pesos to 101.20 pesos.

BUENOS AIRES opened lower and by midsession the Merval index was down 1.03 at 711.95.

SAO PAULO suffered further modest profit-taking after the recent sharp gains for telecoms stocks. At midsession the Bovespa index stood at 9,759, down 60.

S Africa lacks direction

Shares in Johannesburg continued to trade quietly with dealers reporting a lack of direction ahead of today's US inflation data. The all-share index came off 3.4 to 7,045.1.

The pattern was the reverse of Wednesday when industrials rallied modestly but golds faltered. The industrial index ended off 6.2 at 8,243.7 while golds edged 1.9 higher to 1,311.1.

Traders reported a lack of investor interest, not helped by economic uncertainty in the US and with the rand slipping to a five-week low in the foreign exchanges.

Among industrials, Richemont moved higher, adding 50 cents to R57.25. In golds, Vaal Reefs added R1.50 to R278 and Dries put on 50 cents to R43.20.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 9 1997								TUESDAY APRIL 8 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	217.78	1.1	198.89	174.17	194.70	185.22	1.0	4.10	215.46	196.77	171.85	191.65	183.43	225.77	188.44	199.96
Austria (24)	178.52	-0.8	163.04	142.77	159.60	159.55	-0.3	1.84	180.01	164.39	143.57	160.12	160.07	195.04	174.70	180.80
Belgium (26)	230.49	0.0	210.50	184.33	206.06	201.64	0.4	3.54	230.53	210.54	183.87	205.06	200.80	241.54	205.89	208.51
Brazil (30)	246.21	0.2	224.85	196.90	220.12	479.66	0.2	1.05	245.65	224.34	195.93	218.51	478.48	247.23	149.69	149.69
Canada (114)	183.37	-0.2	167.47	146.65	163.94	184.27	-0.2	2.11	183.78	167.84	146.58	163.47	184.64	203.31	154.12	158.55
Denmark (32)	356.02	0.5	325.14	284.72	318.30	317.18	1.0	1.58	354.15	323.43	282.47	315.02	314.06	376.96	291.89	295.84
Finland (26)	254.90	1.1	232.79	203.86	227.89	274.60	1.6	1.68	252.23	230.35	201.18	224.36	270.41	268.58	174.47	174.47
France (91)	217.04	0.9	198.21	173.58	194.04	197.00	1.4	2.73	215.06	196.43	171.55	191.32	194.27	228.25	198.94	195.87
Germany (59)	197.83	0.4	180.67	158.21	176.87	176.87	0.9	1.59	197.12	180.03	157.23	175.35	175.35	207.65	164.47	172.65
Hong Kong (86)	451.07	0.2	411.95	360.74	403.28	448.74	0.2	3.36	449.96	410.93	358.88	400.25	447.66	514.49	407.55	437.43
Indonesia (27)	*224.28*	*0.1*	*204.83*	*179.37*	*200.52*	*330.90*	*0.0*	*1.61*	*224.17*	*204.72*	*178.79*	*199.40*	*330.90*	-	-	-
Ireland (16)	327.48	0.9	299.07	261.90	292.78	298.04	1.0	3.18	324.66	296.51	258.95	288.80	295.20	343.35	264.44	266.45
Italy (58)	86.89	0.7	79.36	69.49	77.69	110.16	1.3	2.16	86.26	78.78	68.80	76.73	108.77	96.32	73.28	73.87
Japan (485)	109.05	-1.8	99.59	87.21	97.50	87.21	-1.6	0.89	111.09	101.46	88.60	98.81	88.60	164.68	109.05	154.58
Malaysia (107)	577.86	0.2	527.75	462.15	516.64	557.28	0.2	1.15	576.42	526.43	459.75	512.74	555.95	660.65	512.47	546.73
Mexico (27)	1364.53	0.4	1246.18	1091.28	1219.95	11762.90	0.4	1.17	1359.41	1241.50	1084.26	1209.22	11717.27	1445.68	1110.36	1180.83
Netherland (19)	339.32	1.0	309.89	271.37	303.37	299.52	1.5	2.61	336.02	306.87	268.01	298.90	295.10	357.18	278.66	289.06
New Zealand (14)	83.93	0.3	76.65	67.12	75.04	64.23	-0.4	4.42	83.68	76.42	66.74	74.44	64.47	95.60	75.94	81.49
Norway (41)	297.79	0.3	271.96	238.16	266.24	282.02	0.8	2.18	296.92	271.17	236.83	264.12	279.77	321.23	238.82	238.82
Philippines (22)	175.21	0.0	160.01	140.12	156.64	230.25	0.0	0.78	175.21	160.01	139.74	155.85	230.25	-	-	-
Singapore (43)	399.99	-0.5	365.30	319.89	357.61	265.65	-0.6	1.08	402.07	367.20	320.69	357.65	267.00	449.15	371.28	437.95
South Africa (44)	359.71	0.0	328.52	287.68	321.60	348.93	0.3	2.40	359.68	328.49	285.68	319.95	347.92	381.77	301.49	365.33
Spain (35)	214.53	0.5	195.92	171.57	191.80	235.91	1.0	2.89	213.38	194.87	170.19	189.81	233.68	226.16	171.06	172.50
Sweden (49)	417.86	-1.1	381.62	334.18	373.58	476.01	-0.7	2.19	422.65	386.00	337.11	375.96	479.34	448.64	334.04	334.04
Switzerland (38)	254.94	0.9	232.83	203.90	227.93	232.94	1.1	1.41	252.68	230.77	201.54	224.77	230.34	262.41	229.36	244.28
Thailand (43)	83.31	-1.3	76.09	66.63	74.49	84.35	-1.3	3.70	84.43	77.11	67.34	75.10	85.47	188.23	73.98	186.03
United Kingdom (211)	278.29	0.5	254.15	222.56	248.80	254.15	0.5	3.87	276.83	252.82	220.80	246.25	252.82	285.30	226.86	232.35
USA (653)	309.62	-0.5	282.77	247.62	276.82	309.62	-0.5	1.95	311.29	284.29	248.29	276.90	311.29	331.54	254.79	261.89
Americas (824)	283.46	-0.5	258.87	226.69	253.42	238.71	-0.5	1.94	284.89	260.18	227.23	253.42	239.91	303.45	233.09	239.13
Europe (726)	241.75	0.5	220.78	193.34	216.13	225.08	0.8	2.78	240.47	219.61	191.80	213.90	223.26	248.97	204.71	207.86
Nordic (150)	363.58	-0.4	332.05	290.77	325.06	357.49	0.1	2.02	365.07	333.41	291.18	324.74	357.32	385.85	286.64	286.64
Pacific Basin (883)	128.91	-1.2	117.73	103.10	115.26	101.32	-1.1	1.44	130.54	119.22	104.12	116.12	102.41	177.01	128.91	167.77
Euro-Pacific (1609)	175.93	-0.2	160.66	140.70	157.29	148.03	-0.0	2.20	176.36	161.07	140.67	156.88	148.03	191.51	175.93	184.37
North America (767)	301.87	-0.5	275.69	241.42	269.88	301.31	-0.5	1.96	303.45	277.13	242.03	269.93	302.89	323.69	248.65	255.48
Europe Ex. UK (515)	216.77	0.5	197.97	173.36	193.80	204.34	1.0	2.16	215.61	196.91	171.97	191.79	202.35	224.70	185.65	189.47
Pacific Ex. Japan (398)	294.35	0.4	268.83	235.41	263.17	255.76	0.3	2.89	293.28	267.84	233.92	260.88	254.95	320.85	268.97	290.26
World Ex. US (1824)	179.52	-0.2	163.95	143.57	160.50	153.93	0.0	2.16	179.92	164.32	143.51	160.05	153.93	193.47	179.10	185.40
World Ex. UK (2266)	215.46	-0.5	196.78	172.33	192.65	192.99	-0.3	1.87	216.50	197.72	172.68	192.58	193.64	228.59	199.58	206.49
World Ex. Japan (1992)	277.78	-0.1	253.69	222.16	248.35	268.78	0.0	2.29	278.06	253.95	221.78	247.34	268.80	292.72	233.10	238.99
The World Index (2477)	220.81	-0.4	201.66	176.59	197.41	198.52	-0.2	2.07	221.63	202.41	176.77	197.15	199.02	233.38	202.32	206.80

Latest prices were unavailable for this edition.